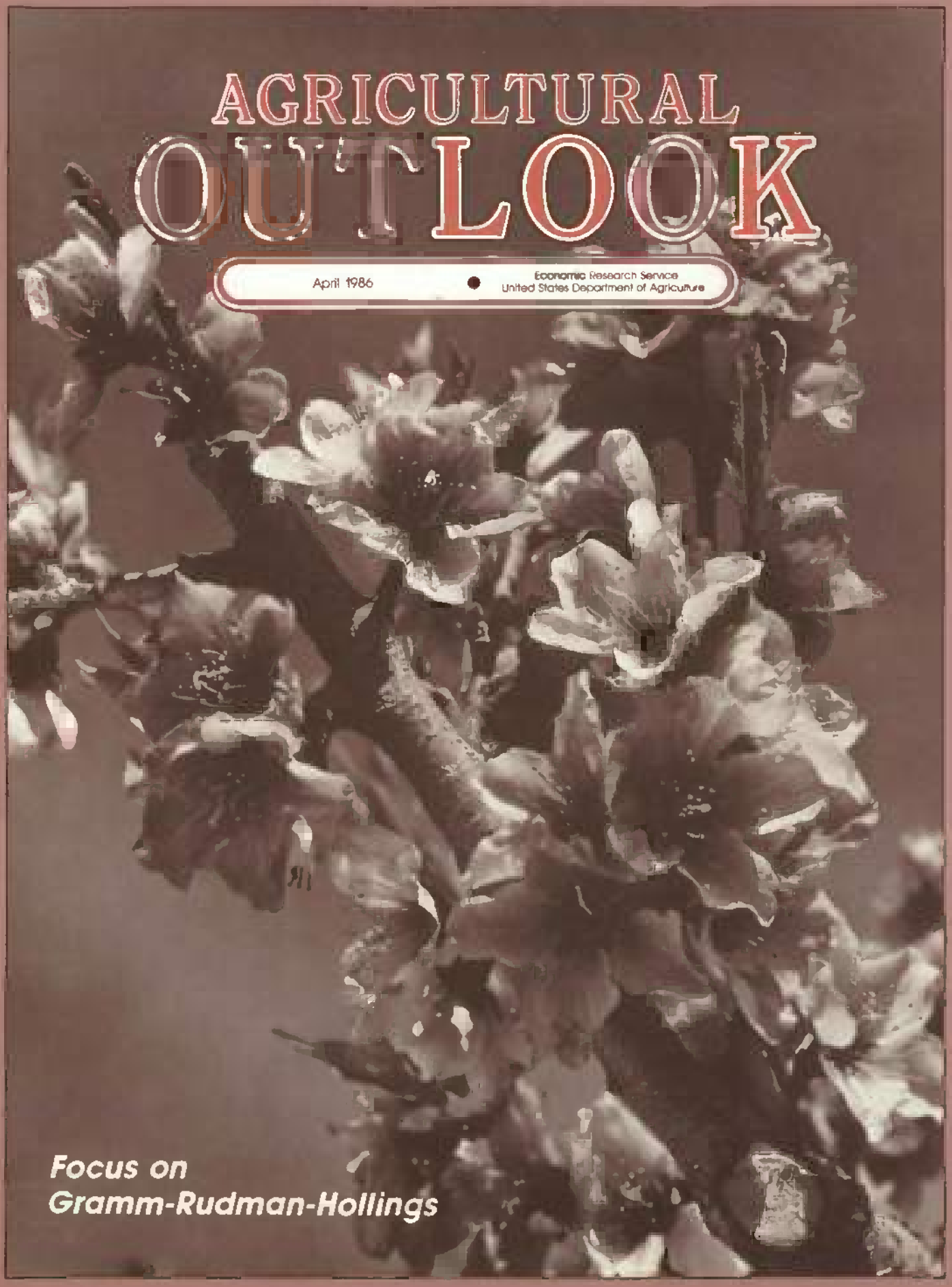
AGRICULTURAL OUTLOOK

April 1986 • Economic Research Service
United States Department of Agriculture



Focus on Gramm-Rudman-Hollings

AGRICULTURAL OUTLOOK

April 1986/AO-118

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Special Article

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Contents of this report have been approved by the World Agricultural Outlook Board, and the summary was released March 17, 1986. Materials may be reprinted without permission. *Agricultural Outlook* is published monthly, except for the January/February combined issue. Price and quantity forecasts for crops are based on the March 10 World Agriculture Supply and Demand Estimates.

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The next issue of *Agricultural Outlook* (AO-119) is scheduled for mailing on April 30, 1986. If you do not receive AO-119 by May 13, call the Managing Editor (be sure to have your mailing label handy). The full text and tables of AO-119 will also be available electronically. For more information, write EMS/USDA, 1301 New York Avenue, N.W., Room 228, Washington, D.C. 20005-4788, or call (202) 786-1494.

In Brief. . . News of Food Prices, Regional Exports, the World Economy

The Consumer Price Index for food in 1986 is forecast to rise 2 to 4 percent. The small increase stems from large supplies of many farm foods and low general inflation. Since passage of the farm bill, only one component of the CPI forecast has been revised—cereals and bakery products. The new law is expected to lower market prices for wheat, corn, and rice, and dampen price gains for products made from them.

Considering both population and income growth, total quantities of food purchased are expected to expand 1 to 1.5 percent per year during the next decade, assuming constant real food prices. However, between 1965 and 1984 farm productivity grew faster than domestic food production, and this trend will probably continue. Therefore, the agricultural resource base required to provide just for domestic consumption will probably shrink in the future.

U.S. cattle numbers fell to 105.5 million on January 1, a 4-percent drop from a year earlier and the lowest inventory since 1963. On mixed crop-livestock operations, low livestock returns and weak grain prices continue to prompt producers to sell livestock to generate cash. The beef cow inventory on January 1 reached a 20-year low, 33.6 million head. This was a 5-percent decrease from a year earlier. The 1985 beef and dairy calf crop was 41 million, down 3 percent from a year earlier and the lowest since 1961.

Pork producers indicate they will have about the same number of sows farrow in first-half 1986 as a year earlier. If producers fulfill these intentions, pork production probably will not increase significantly until first-half 1987 at the earliest.

Production of broiler meat will be up again in 1986. Reduced supplies of red meats and favorable returns to broiler producers will likely encourage expansion. These conditions are expected to continue in second-half 1986, and broiler meat production may be up 5 percent from a year earlier.

The U.S. potato industry faces a 20-percent drop in cash receipts for the 1985 crop. Adjusted for inflation, the 1985 crop's value will drop about 24 percent—the first decline since 1982. The record 350-million-cwt harvest for fall 1985 contributed to the recent low prices. The 1986 outlook—which includes high stocks of frozen potatoes, low prices for fall storage potatoes, and modest growth in the U.S. economy—suggests that growers will cut back total acreage as much as 10 to 15 percent.

On February 27, the Administration announced that the current quota year for sugar would be extended 3 months, to December 31, 1986. The extension will reduce sugar imports in fiscal 1986 by approximately 425,000 short tons, raw value. This reduction is designed to bring supplies in line with demand and avoid forfeitures of loan-collateral sugar to the Commodity Credit Corporation.

World economic growth in 1986 could slow down slightly from last year's 3 percent. Growth is likely to be dampened by the slower U.S. expansion since 1984 and the decline in the dollar's value—factors which reduce U.S. purchases of foreign countries' exports. However, the drop in world oil prices and the continuing low rate of inflation in the industrialized world will support growth.

The decline in U.S. agricultural exports is expected to continue in fiscal 1986. At $28 billion, exports are forecast to fall around 10 percent from last year. Even though the Brazilian drought is boosting the U.S. share of the world soybean market, grain and cotton exports are continuing to fall.

Although 1985 was the weakest year in the current expansion, lower oil prices and a declining Federal deficit may lead to a steadily growing, noninflationary U.S. economy for the next few years. However, this brighter picture is far from certain, and even-lower oil prices and a smaller Federal deficit could have negative effects.

Crop transport vehicles—trucks, rail cars, and barges—will be in ample supply this year. With fewer exports, a reduced rail fleet will be more than able to meet demand.

Farmers' checks for 1986-crop deficiency payments and CCC loans will be reduced 4.3 percent under the Gramm-Rudman-Hollings budget act. Gross cash income to the farm sector, already declining from last year's record high, may fall an additional 1 percent or less because of budget cuts.

Agricultural Economy

Much recent economic analysis has focused on how international trade and macroeconomic forces affect U.S. agriculture. But it is important not to lose sight of the domestic market for food. Excluding field crops, 90 percent or more of U.S. farm production goes to the domestic market. Based on farm value, domestic use accounts for over 80 percent of U.S. agricultural output.

Because of this dependence on domestic markets, changes in many parts of agriculture are likely to be closely linked to changes in the domestic consumer demand for specific foods. Between 1963 and 1982, the apparent per capita consumption of food ranged from 1,359 to 1,403 pounds a year, retail weight basis. Per capita consumption probably remains near 1,400 pounds in 1986.

Population Growth Is Critical to Growth in Food Consumption

With fairly stable consumption per person, population growth is critical in determining the growth of total food consumption. The Bureau of the Census projects that the U.S. population will probably increase about 15 percent between 1985 and 2005. This means that in 20 years there will be about 37 million more people to feed than in 1985.

By contrast, the U.S. population grew by 44.5 million during the 20 years preceding 1985. Hence, population growth will influence food demand expansion to a lesser extent than in the previous two decades.

Aside from population growth, the most important factor affecting food consumption is per capita real income. Over the past 20 years, per capita real income increased an average of 1.6 percent per year. Research shows that each 1-percent increase in income results in a 0.26-percent gain in the per capita quantity of food consumed at the retail level and a 0.34-percent rise in per-person food expenditures.

The difference between volume and value increases results from consumers' tendency to buy higher priced foods and eat out more often as their incomes increase. Over the past 20 years, income increases accounted for an average 0.42-percent per year growth in per capita food consumption and 0.54 percent in food expenditures. Real income growth of 1.5-2 percent per year is expected to continue.

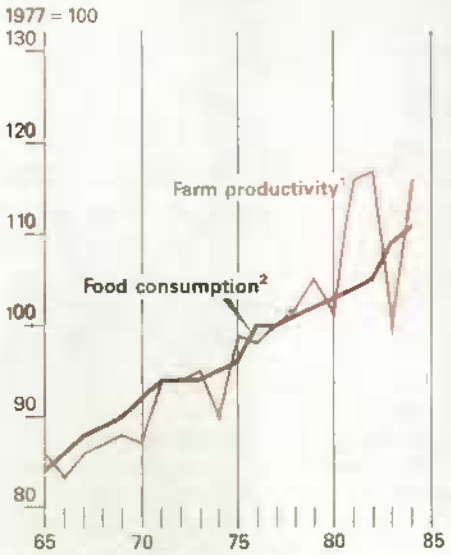
Food Price Increases Lead to Lower Consumption

Total food consumption is also influenced by changes in food prices relative to other prices. During the early 1970's, the rate of food price increases exceeded general inflation. However, during 10 of the last 11 years, food prices have climbed less than the rate of increase in prices for nonfood items. Other factors constant, a 1-percent increase in real food prices causes a 0.24-percent decrease in the volume of consumption. Similarly, declines in real food prices induce higher consumption.

Considering both population and income growth, total quantities of food purchased during the next decade are expected to expand 1 to 1.5 percent per year, assuming constant real prices. Total food spending should increase 1.5 to 2.0 percent annually.

It is important to compare the projections for domestic food consumption with likely yield and productivity increases in agriculture, to see how resource needs may change. Between 1965 and 1984, farm output per unit of input use increased at about the same rate as per capita consumption of food including imported items. But, if imported foods are factored out of the consumption index, productivity grew faster than total domestic food consumption. Therefore, the agricultural resource base required to provide just for domestic consumption will likely shrink in the future.

U.S. Farm Productivity Is Growing Faster Than Food Consumption



[1]Index of farm output per unit of inputs.
[2]Index of total food consumption, retail weight basis.

For many subsectors of agriculture, yield increases have been substantially larger than the growth rate in domestic demand. For example, in 1950 about 295 million acres were required to produce the feed and food needed for domestic use. Thirty years later, only 115 million acres were needed. This trend—yields expanding faster than the domestic market—will probably continue. The implication: resources will have to be shifted out of agriculture, or foreign demand will have to grow markedly, to keep real prices the same. [*Lester H. Myers (202) 786-1860*]

LIVESTOCK HIGHLIGHTS

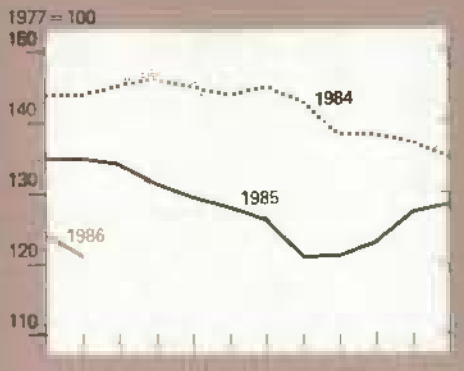
• *Cattle*

U.S. cattle numbers fell to 105.5 million on January 1, a 4-percent drop from a year earlier and the lowest inventory since 1963. On mixed crop-livestock operations, low livestock returns and weak grain prices continue to prompt producers to sell livestock to generate cash. The beef cow inventory on January 1 reached a 20-year low, 33.6 million head. This was a 5-percent decrease from a year earlier. The 1985 beef and dairy calf crop was 41 million, down 3 percent from a year earlier and the lowest since 1961.

Prime Indicators of the Agricultural Economy

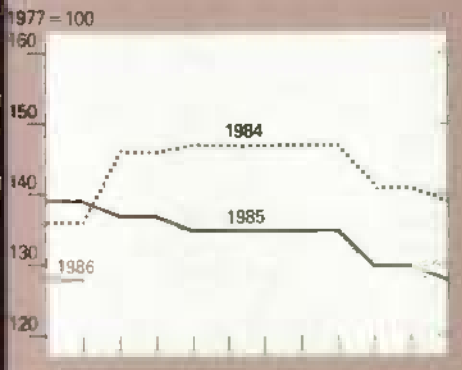
Prices paid by farmers[1]

Prices received by farmers[2]



Ratio of prices received to prices paid

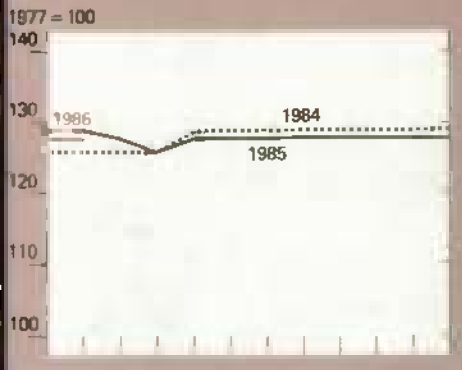
Fertilizer prices[3]



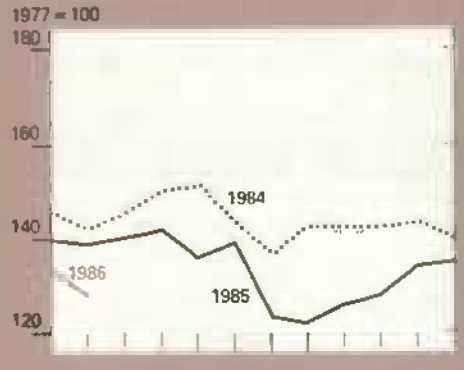
All crops[4]

Livestock and products[4]

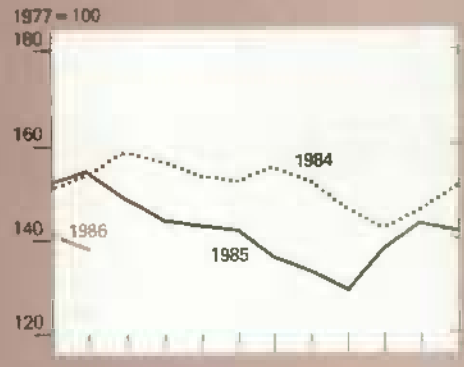
Agricultural chemicals[3]



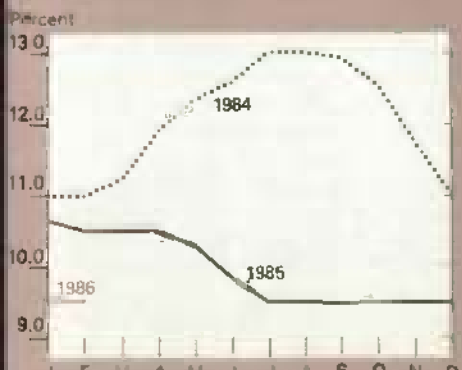
Food grains[4]



Meat animals[4]

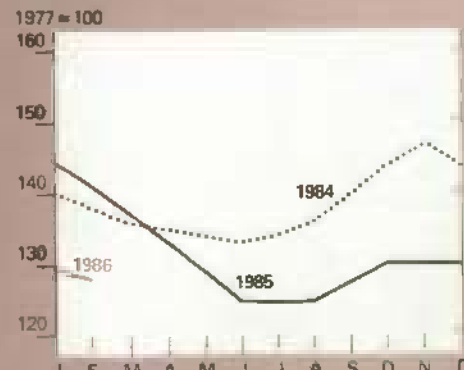


Interest rates—prime rate



Feed grains and hay[4]

Dairy products[4]



[1]For commodities and services, interest, taxes, and wages.
[2]For all farm products.
[3]Index of prices paid; 1977 = 100.
[4]Index of prices received; 1977 = 100.

Sixteen percent of the January 1, 1985, cow herd was slaughtered, above the 1980-84 average of 15 percent but below 1984's 18. At the same time, 61 percent of the January 1, 1985, total heifer supply over 500 pounds was slaughtered during 1985, compared with 57 percent for the 1980-1984 average.

The inventory has been declining not only because of increased cow slaughter, but also because a smaller percentage of heifers are calving and entering the herd. Of the heifers retained for possible herd replacement on January 1, 1985, only 68 percent calved and entered the herd. This was slightly above a year earlier, but replacement rates for 1984 and 1985 were the lowest since 1959.

The January 1 inventory indicates producers are still reluctant to retain heifers for herd expansion. Beef replacement heifers were down 7 percent from a year earlier, while the number of "other" heifers (not intended for replacements) was even with a year earlier. The beef replacement number was the lowest in the current series, which dates back to 1965.

Through 1986, the cattle inventory will probably continue the downward trend it began in 1982, possibly falling to 101 million on January 1, 1987. The magnitude of the drop will depend on the use of heifers.

Even though the number of replacement heifers was down this January, heifers in the "other" category may be retained as replacements. Likewise, producers with financial problems this spring may sell intended replacement heifers. Most breeding is done in May or June, and uncertainty about heifer use will exist until then.

Longer term changes in the cattle inventory and beef production are closely related to the current liquidation/retention decisions concerning replacement heifers. The base for future production has been pulled down sharply, but beef supplies remain large in the short term as the slaughter of cows and heifers continues high. These large supplies have held down prices and, consequently, reduced the incentive for cow-calf producers to begin to retain heifers and stabilize the inventory.

Calf prices this fall, as well as expectations for 1987 prices, will determine whether producers will retain heifers. If producers do respond positively to expected stronger prices this fall and hold heifers back as replacements, those heifers will be bred in spring 1987 and calve and enter the herd in 1988. [*John Nalivka (202) 786-1830*]

● *Hogs*

Producers indicate they will have about the same number of sows farrow in first-half 1986 as a year earlier. If producers fulfill these intentions, pork production probably will not increase significantly until first-half 1987 at the earliest. For first-quarter 1986, commercial hog slaughter was about 2 percent below a year earlier, the same as suggested by the combination of the December 1 market hog inventory and the June-August pig crop. The slaughter rate in the first quarter suggests that producers may be keeping their breeding herd nearly stable.

Based on the number of market hogs weighing under 60 pounds on December 1 and the September-November pig crop, second-quarter commercial slaughter may drop 3 to 5 percent below a year ago. Producers are expected to continue to generate cash for planting expenses or loan payments by selling gilts. Even if the June 1 breeding inventory is the same as a year earlier, producers could have a larger percentage of the June 1 inventory farrow. This action would follow recent trends.

Hog prices in the first quarter averaged about $43 per cwt at the 7 major markets, down $4 from a year earlier. Although pork production declined, beef rose 1 percent and poultry 5 percent. Prices are expected to average $43 to $47 in the second quarter.

Per capita red meat consumption for the year is likely to drop about 6 percent, although poultry supplies will continue to gain, rising about 5 percent from a year earlier. Stocks of frozen pork as of January 31 were 18 percent below a year ago and the lowest since 1979. So, some price strength exists from stock rebuilding during early spring. [*Leland Southard (202) 786-1830*]

● *Broilers*

Production of broiler meat will be up again in 1986. The hatchery supply flock in the first half will be 2 percent larger than during the first half of last year, based on the cumulative pullet placements 7 to 14 months earlier. Supplies of hatching eggs may increase more than the 2 percent implied by cumulative placements if the hens remain in the flocks longer than 14 months. So, production in second-quarter 1986 is expected to be 4 percent larger than 1985's 3,513 million pounds.

Reduced supplies of red meats and favorable returns to broiler producers will likely encourage expansion. These conditions are expected to continue in second-half 1986, and broiler meat production may be up 5 percent from a year earlier.

The composite 12-city broiler price is expected to remain near 50 cents per pound during 1986. Demand for broiler meat will probably remain strong. New products continue to be introduced by poultry processors, also helping to keep demand strong. [*Allen Baker (202) 786-1830*]

● *Turkeys*

Turkey producers have sharply expanded output in 1986. After 2 years of favorable returns, the result of strong prices, producers responded by placing 14 percent more poults for possible second-quarter 1986 slaughter. Producers may slow the rate of increase in the major hatching season, but if they carry through with their December intentions, second-half 1986 production may be up 7 percent from last year.

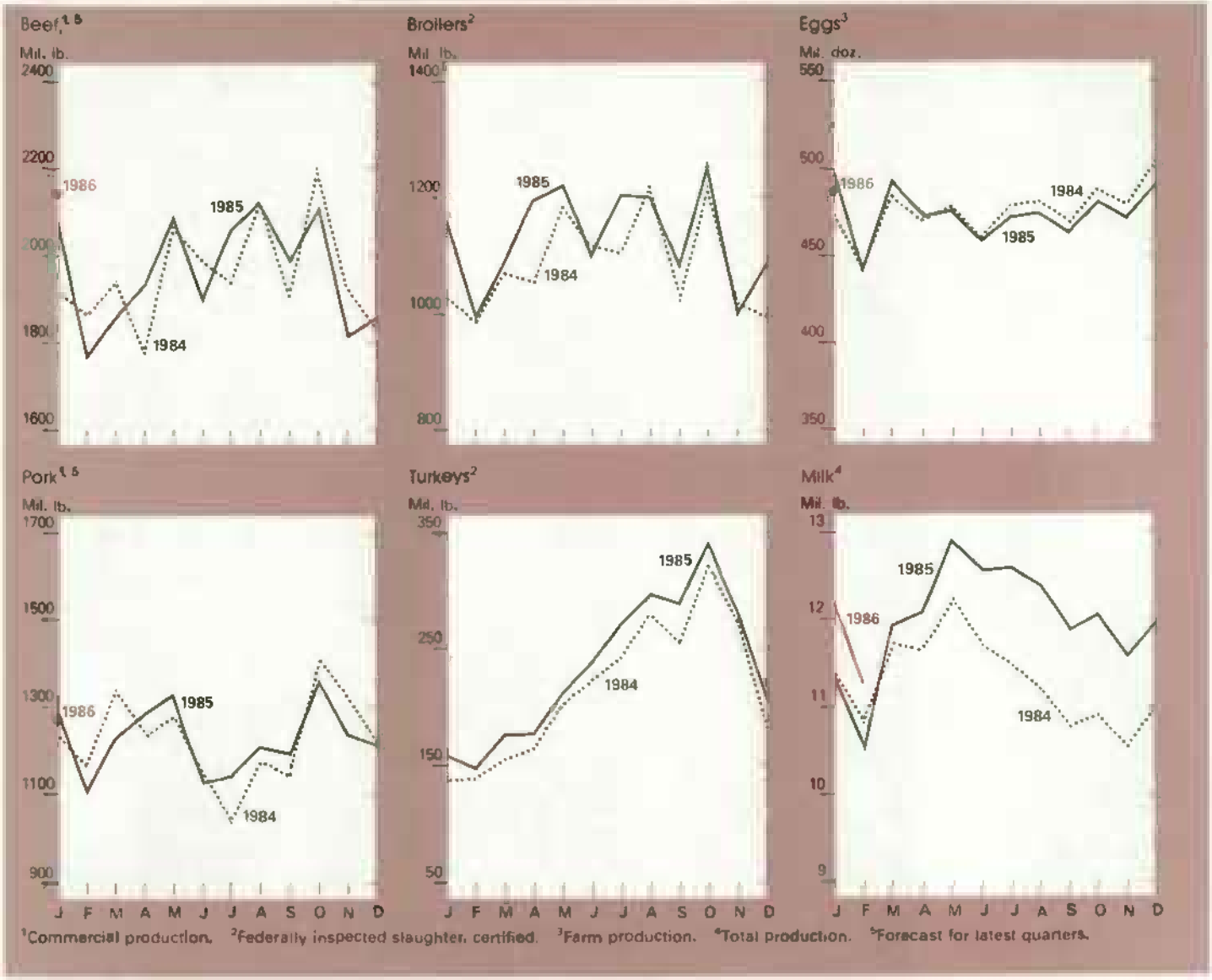
Stocks of frozen turkey increased during the first quarter of 1986, after starting the year at a low level. Stocks are expected to increase seasonally in the second quarter. However, most of the gain in production will probably be consumed, rather than used to build abnormally large stocks.

Wholesale prices for hen turkeys are expected to be below 1985 this year because of the sharp increase in turkey production and near-record supplies of total meat. Further-processed turkey items have boosted the demand for turkey, and consumers are increasing their per capita consumption.

Even so, prices for 8- to 16-pound hen turkeys in the second quarter may average near 60 cents per pound, off slightly from 1985's 65 cents. Prices in second-half 1986 may average 64-66 cents, down from 84 in 1985. [*Allen Baker (202) 786-1830*]

● *Eggs*

Egg producers continue to plan for additional output in 1986. The number of egg-type chicks hatched remained above



[1]Commercial production. [2]Federally inspected slaughter, certified. [3]Farm production. [4]Total production. [5]Forecast for latest quarters.

a year earlier in January 1986, and these pullets will be in the laying flocks in June or July. In addition, producers have force-molted hens in relatively high numbers. After molt, these hens will be retained in the flock to enter another laying cycle.

Thus, the flock is expected to be larger than last year in the final three quarters of 1986. Even though older hens will be sold as they end their laying cycles, molted hens plus replacement pullets imply a larger flock. Egg production in the second quarter may be about the same as 1985, but output will likely be above 1985 in the second half of 1986.

Egg prices are expected to remain above a year earlier in second-quarter 1986 but then average below 1985 in the second half. Even if supplies equal last year in the second quarter, prices are expected to be stronger because supplies were tight in the first quarter. [*Allen Baker (202) 786-1830*]

• *Dairy*

Milk production started 1986 on a strong note, with January output up 8 percent from a year earlier. Both cow numbers and output per cow were well above January 1985. However, the outlook is a volatile mix of both positive and negative factors.

The dairy herd started the year at its largest since 1975. January cow numbers were up more than 3 percent from a year earlier. The January 1 herd of dairy replacements was also quite large, but the same as a year earlier. The ratio of almost 43 heifers to 100 cows was high enough to support substantial further expansion in the milking herd.

The milk-feed price ratio has been conducive to heavy concentrate feeding. Since mid-1985, feeding rates per cow have run about 5 percent higher than a year earlier, partially explaining January's 4.5-percent rise in output per cow. The effective milk-feed price ratio will be lower this spring and summer than a year earlier. However, the

response to this lower ratio may be limited by anticipation of even lower feed prices this fall.

Effective farm milk prices this spring and summer will be well below a year earlier. Under Gramm-Rudman-Hollings, reductions equal to a 55-cent cut in the support price took effect on March 1. However, it is expected that these cuts will be superseded. Instead, an assessment of not more than 12 cents per cwt will probably be imposed to offset the Gramm-Rudman-Hollings cuts. Also, an assessment of 40 cents per cwt will be collected during the last three quarters of 1986 to fund the whole-herd buyout.

On the other hand, the Food Security Act of 1985 mandates higher Class I differentials in Federal order markets. These increases will add back about a dime to the average price of all milk, but the effects will vary greatly by region.

The drops in effective returns will outstrip declines in feed costs from a year earlier. This spring and summer, returns over concentrate costs probably will be down a tenth from a year earlier. This diminished profitability will hit hardest the approximately one-third of dairy farmers who are having financial difficulties.

The picture for next fall and winter is less certain. If no reductions under Gramm-Rudman-Hollings are made for fiscal 1987, dairying will be slightly less profitable than a year earlier but improved from this spring and summer. However, a sizable reduction in effective milk prices for fiscal 1987 would intensify pressures on milk producers.

Dairy cow slaughter moved above a year earlier in November. Thus far in 1986, cow slaughter has been about 12 percent larger than a year ago. If this heavy slaughter continues, it will substantially modify the effect of the large number of replacement heifers on the milk cow herd.

Without the herd buyout program, these conditions would be expected to slow the increase in milk production during 1986 but still allow a large rise for the year as a whole. The effect of the buyout program will not be known until the spring announcement of the number of contracts accepted. However, even if the program has a large impact, it is unlikely to hold milk output at 1985 levels—although the increase in milk production may not match the expected rise in commercial use.

Revised data on milk production put the 1985 total at 143.7 billion pounds, 6 percent higher than 1984 and almost 3 percent above the previous record in 1983. Production grew rapidly after the end of the paid diversion program in March. For the year, the milk cow herd averaged 1.8 percent larger than 1984, while the amount of milk per cow was up 4.2 percent. [*James Miller (202) 786-1830*]

CROP HIGHLIGHTS

• *Wheat*

Midseason wheat stocks are a record 2.54 billion bushels, nearly 20 percent greater than a year earlier. Supplies ballooned because 1985/86 has been one of the slowest export seasons in the last 9 years. During June-December, more wheat was consumed domestically as food, feed, and seed than was loaded for export. For the season, domestic use is forecast to outpace exports by 19 percent, the greatest difference in 14 years. As a result, yearend stocks will total a record 1.9 billion bushels.

Winter wheat growers reduced plantings 7 percent from 1985, but spring wheat remains to be planted. After mulling over provisions of the 1986 wheat program, spring wheat growers indicated they intend to decrease seedings to 17.1 million acres from 1985's 17.8 million. Although program participation may be higher than last year, the acreage reduction requirement is only 25 percent for the 1986 crop, compared with 30 percent for 1985.

Although fewer acres will likely be harvested this summer, producers will plant their more productive areas. As a result, wheat production in 1986 may be close to 1985's 2.4 billion bushels. The early outlook for 1986/87 focuses on a possible record 4.3-billion-bushel supply, likely the second time the supply has exceeded 4 billion bushels.

World wheat production for 1985/86 is estimated at 503 million tons, down 11 million from the 1984/85 record. Harvesting of 1986/87 winter wheat will begin this month in India and Pakistan, where moisture reserves have been plentiful since December. The weather for the winter wheat crops of the Northern Hemisphere has generally been good, with relatively few reports of winterkill or drought.

World wheat trade is going through a period of transition brought on by the lowering of the U.S. loan rate from the current $3.30 per bushel ($121 per ton) to $2.40 beginning June 1. (Due to Gramm-Rudman-Hollings, the rate received by farmers will be $2.30.) Competitors, such as the EC, Canada, and Australia, are trying to sell wheat before the anticipated price decline this summer. Importing nations, on the other hand, continue to buy only for their immediate needs, postponing major purchases until lower prices take effect.

Despite continued sales under the Export Enhancement Program to Algeria, the Philippines, Yemen, and Zaire, the absence of large commercial sales has reduced the 1985/86 U.S. wheat export forecast to 24.5 million tons, the lowest in 15 years. [*Allen Schienbien (202) 786-1840 and Scott Reynolds (202) 786-1691*]

• *Rice*

U.S. rice producers, processors, and exporters hope that provisions of the 1985 farm bill will get rice exports moving again by making U.S. rice more competitive in the world market. Exports, which account for over 50 percent of U.S. rice disappearance, have fallen nearly 40 percent from 1980/81.

Exports plummeted because rice production in other countries increased faster than consumption. Good weather, acreage expansion, and adoption of new technology contributed to the rapid production rise. Quality of foreign rice also improved. Substantially lower rice prices offered by other exporting countries is also leading to erosion of U.S. market share.

Starting April 15, 1986, the prevailing world market price for rice, as announced by the Secretary of Agriculture, will be used in determining the level at which producers may repay their price support loans. The net effect will be a sharp drop in U.S. rice prices in both domestic and foreign markets. As a result, U.S. rice exports are expected to rebound over the course of the 1985/86 marketing year.

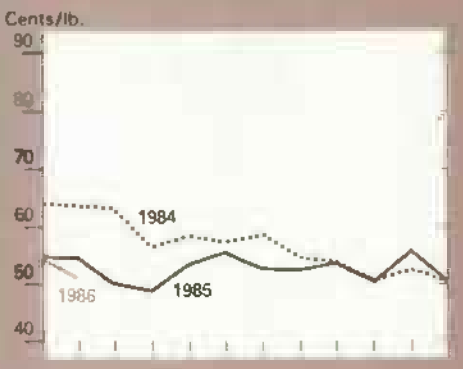
Program provisions for 1986-crop rice also include a required 35-percent acreage reduction, a target price of $11.90 per cwt, and a national average loan rate of $7.90. The estimated deficiency payment rate is $4.70 per cwt, of which 30 percent is available in advance.

The whole kernel milled rice loan rate is $12.44 per cwt for long grain, down from $14.53 this year, and $10.44 per cwt for

Commodity Market Prices: Monthly Update

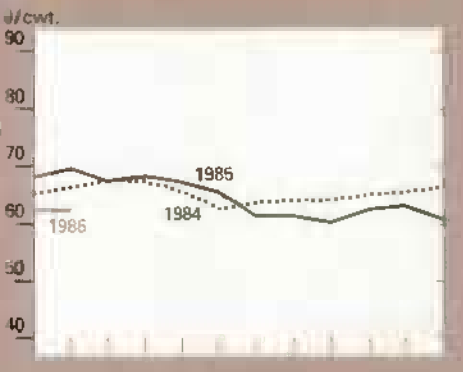
Choice steers, Omaha

Broilers, 12-city average



Corn, Chicago[3]

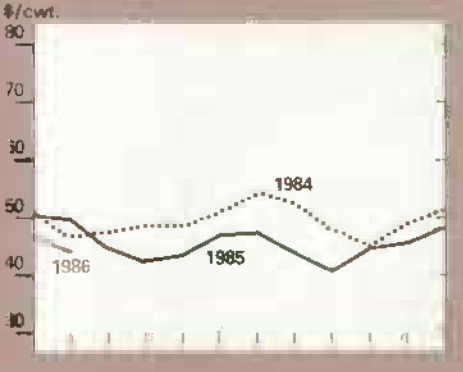
Feeder cattle, Kansas City[1]



Eggs, New York[2]

Soybeans, Chicago[4]

Barrows and gilts, 7 markets

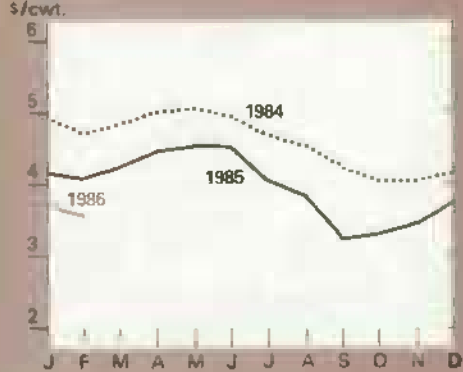


Rice (rough), SW Louisiana

Wheat, Kansas City[5]

All milk

Sorghum, Kansas City



Cotton, average spot market

[1]600-700 lbs., medium no. 2. [2]Grade A Large. [3]No. 2 Yellow. [4]No. 1 Yellow. [5]No. 1 HRW.

medium and short grain, down from $10.50 this year. The milled rice loan differential is $2.00 per cwt, down from $4.03 in 1985/86. The loan differential was reduced to better reflect market prices and net returns.

World rice production for 1985/86 is forecast at 315 million tons, milled basis (463 million, rough basis), down 4 million from last year. Brazil's output is expected to decline this year to 6 million tons, down slightly from the average of the previous 6 years. Since 1980, Brazil's rice consumption has increased nearly 600,000 tons.

Thus, Brazil has been active in the rice market in recent months, reportedly purchasing 200,000 tons from Thailand and another 50,000 each from Burma, Pakistan, and Surinam. Brazil also contacted China, Indonesia, and the United States in an effort to import record quantities of rice, now forecast at 800,000 tons, during 1986. [*Janet Livezey (202) 786-1840 and Scott Reynolds (202) 786-1690*]

• *Feed Grains*
U.S. feed grain production in 1985 was estimated at 274 million metric tons, up 15 percent from 1984's 237 million. Record corn and sorghum crops and a near-record barley crop contributed to the bumper harvest. Disappearance during October-December dropped below a year earlier to 74.9 million tons, leaving a near-record 242.3 million in stocks on January 1, 1986.

The slowdown was accompanied by massive placements of grain under Government loan. Loans have supported prices for those farmers eligible. About one-third of the crop is ineligible for CCC loans, however, putting the average price below loan rates.

Placements of 1985-crop corn under regular 9-month CCC loans have already exceeded 2.8 billion bushels and will probably be around 3 billion. This is likely to cause free stocks to tighten before the marketing year ends, leaving the possibility open for a price rally in late spring. However, the tight free stocks situation will be somewhat alleviated by the advance in-kind payments. Bad weather or an unexpected surge in exports could also strengthen prices into the 1986/87 marketing year.

Feed grain plantings in 1985 totaled 128 million acres, of which 111.5 were harvested for grain, 4 percent above 1984.

Corn Planted Acreage

	1984	1985
	Million acres	
Base	80.8	84.2
Enrolled	43.4	57.8
Permitted plantings	39.1	52.0
Actual planting within the program	34.9	48.8
Nonenrolled base	37.4	26.4
Nonbase	8.2	8.0
Total planted	80.5	83.2

Corn accounted for 82 percent of feed grain production in 1984 and 1985. Record yields per acre for corn (118 bushels), sorghum (66.7 bushels), and oats (63.6 bushels) contributed to a record composite feed grain yield of 2.46 metric tons per acre, 11 percent above 1984.

Planted acreage and production may decline in 1986. The base acreage for corn will probably remain near 84 million, although some acres will be placed in the long-term conservation reserve in 1986.

Because deficiency payment rates will increase in 1986, participation in the 1986 corn program may rise from 69 percent to 85-90 percent. Participants must reduce acreage at least 20 percent in order to be eligible for all program benefits, although they can reduce acreage by 60 percent and still remain eligible for most program benefits.

In 1984 and 1985, those enrolled in the programs planted about 93 percent of allowable acreage. This year, participants may plant a higher percent of that allowed, and total acreage planted to corn may fall below last season's 83 million. The Prospective Plantings report indicates that corn growers intend to plant 78 million acres in 1986.

Conditions in foreign countries are affecting U.S. export prospects. Continued yield declines may force Brazil to import a record 2.75 million tons of corn—mostly from the United States. In the past, the United States has supplied about 95 percent of Brazil's corn imports. Yield prospects for sorghum in Venezuela have diminished—boosting prospects for U.S. sales. The Soviet Union has already purchased over 6 million tons of corn from the United States this year, compared with 16 million last year.

Still, U.S. export prospects appear weak. U.S. corn and sorghum trade estimates are down from 1984/85 by 17 and 16 percent, respectively. The decline in corn sales is due to decreased imports by the Soviet Union.

Global coarse grain trade is forecast to fall by about 9 percent in 1985/86, to just over 92 million tons (excluding intra-EC trade). For the year, the brunt of the reduction will be felt in the United States, as above-average supplies among many major exporting countries continue to intensify competition for shrinking markets. With the prospect of significantly reduced U.S. export prices for the 1986 crop, purchasers will likely delay summer trade activity until September or later, when prices will be substantially more attractive. [*David Hull (202) 786-1840 and James Cole (202) 786-1691*]

• *Oilseeds*
Soybean producers indicate they intend to plant 62 million acres in 1986, 2 percent less than in 1985. In the major soybean growing area of the United States—Ohio, Indiana, Illinois, Iowa, Missouri, Michigan, Wisconsin, and Minnesota—soybeans are grown in rotation with corn, and the feed grain program could increase soybean plantings.

In 1984 and 1985, corn plantings exceeded the corn program base by 1.7 to 1.9 million acres in the States important to soybeans. Consequently, high participation in the 1986 feed grain program, which would limit planting in excess of the base, could shrink corn acreage, with the surplus likely going to soybeans.

The Delta and Southeast have substantially lower soybean yields than the Corn Belt. Low prices for soybeans make soy production quite risky on some marginal land in these regions. In fact, there is evidence that the amount of land remaining idle is on the rise in both regions. Low prices could idle additional land in 1986.

Farmers in both the Delta and Southeast will have less reason to participate in the feed grains program because they do not have sufficient feed grain production history to establish a base. Consequently, planting decisions will be made aside from program participation.

In the Delta, sorghum production has risen rapidly because of poor yields and

COMMODITY SPOTLIGHT

To Plant or Underplant— The 50/92 Question*

The 50/92 provision allows wheat, feed grain, cotton, and rice farmers to plant between 50 and 92 percent of their permitted program crop acreage (base acres minus required acreage reduction) to their program crop and receive deficiency payments on 92 percent of total permitted acreage.

Until recently, the underplanted acres could be placed in conserving use or sowed with any nonprogram crop except soybeans and ELS cotton. Thus, unlike previous farm bills, the Food Security Act of 1985 had the potential to directly affect markets for nonprogram crops such as dry beans, vegetables, and sunflowers.

As a result, in the Food Security Improvements Act (H.R. 1614) recently passed by Congress, the 50/92 provision was revised. As it now stands, program crop producers may still underplant permitted program acreage to receive deficiency payments on 92 percent. However, if they choose to put a crop on the underplanted acreage, their choice of crops is now limited.

Idled land under 50/92 may still be devoted to conserving uses, and the Secretary of Agriculture can allow haying and grazing, if requested to do so by the State ASCS committee. Also, the Secretary now can permit planting of idled land to certain nonprogram crops, including sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, flaxseed, triticale, rye, plantago ovato, or experimental crops.

To permit planting of these alternative crops, the Secretary must determine that production of the alternative is not likely to increase the cost of the price support program and will not adversely affect farm income. The final decision about 50/92 crop alternatives for 1986 has not yet been made. But, any producers who contracted to plant or planted an alternative crop on underplanted acreage before February 26, 1986, will be allowed to harvest that crop.

If the Secretary allows idled acreage to be devoted only to conserving uses, producers must evaluate expected costs and returns under two alternatives: (1) planting the maximum permitted acreage to the program crop and, (2) planting between 50 and 92 percent of the permitted acreage to the program crop, while idling the balance.

To evaluate potential returns for participating in 50/92 or not participating, budgets were constructed for each program crop under the two alternatives, and for at least two regions of the country. Net returns for planting 50 or 75 percent of permitted program acreage were compared with net returns for planting all of permitted acreage to the program crop. On the adjacent table, whenever this ratio is less than 1, underplanting the permitted acreage and shifting the remainder to a conserving use is less economically attractive than planting the maximum permitted acreage to the program crop.

In general, returns for idling land are expected to be less attractive than for planting the program crop on the full permitted acreage in the regions identified as having an advantage in the program crop—the Lake States/Corn Belt region for corn, Arkansas for rice, and the Southern Plains for cotton. But idling land could be attractive in regions identified as having high production costs for the program crop.

Net returns are not the only incentive for farmers to underplant. Financially troubled farmers and their lenders see the deficiency payment on underplanted acreage as a return free from the risk of fluctuating yields, reducing the need for short-term credit and improving cash flow. Although the effects of these incentives on planting decisions are difficult to quantify, they increase the likelihood that 50/92 will influence planted acreage in 1986.

The impact on production and prices of program crops is likely to be felt in regions of marginally productive program cropland. Planted acreage for wheat, rice, feed grains, and cotton totaled 216 million in 1985/86. Increased participation in the 1986-crop programs and lower market prices will probably lead to lower acreage in 1986/87—even without the 50/92 provision. With the provision, acreage could fall further.

With the changes made by Congress, the 50/92 provision is a substantially less attractive option for producers. Nevertheless, 50/92 may still offer some producers an opportunity to retire unproductive land and still receive sizable deficiency payments. Because underplanting is more likely to occur in regions which tend to be deficient in program crop production already, some local price strength for program crops is possible in those areas because of underplanting.

If 5 percent of farmers participating in the 1986 programs exercise the 50/92 option, an additional 3 million acres would be idled. If 15 percent of participants exercise the option, about 10 million extra acres would be idled. The PIK program in 1983 offered substantial incentives to idle land, and planted acreage of program crops was reduced to 189 million. Acreage is unlikely to fall that far in 1986. [*Neil Conklin (202) 786-1767 and Barbara Stucker (202) 786-1870*]

* Underplanting: Planting less than the permitted acreage base to the program crop.

Ratios of Returns Under 50/92 to Planting Maximum Permitted Acreage

Program crop	Region or State 1/	50% program/ 50% idled 2/	75% program/ 25% idled 2/
Wheat	Central Plains	.62	.78
	Southwest	.82	.87
Corn	Lake States/ Corn Belt	.68	.82
	Southwest	.75	.84
Rice	Arkansas	.69	.85
	California	.63	.82
Cotton	Southern Plains	.72	.86
	Southwest	.70	.85

1/ Lake States/Corn Belt, Central Plains, Arkansas, and Southern Plains represent regions holding a comparative advantage in program-crop production. Other regions represent high-cost and high-cost/high-yield producing regions. 2/ Assumptions: corn = $1.92, wheat = $2.40, rice = $7.20, cotton = $0.55. Crop yields and variable costs adjusted to reflect regional differences.

nematodes and other pests associated with continuous soybean production. This shift in resources has occurred despite price ratios that have been somewhat favorable to soybeans. Price ratios based on expected loan rates will be favorable to soybeans, but the question remains whether this will be sufficient to overcome the perceived risks associated with soybean production.

Even though farmers in the Southeast do not have sufficient program base to affect planting decisions, it is in this region that returning land to fallow is most pronounced. Price ratios based on loan rate floor prices favor soybeans. But with low prices and yields in this region, much marginal land could exit.

March signals the beginning of the oilseed harvest in the Southern Hemisphere. This year, prolonged drought early in the season has likely reduced production in Brazil and Paraguay. Because of delayed planting, harvest will be 4 to 6 weeks later than normal.

In Brazil's major producing States, Rio Grande do Sul and Parana, scarce rainfall from November until early January sharply cut area and yield estimates. Northern areas, however, will fare much better, with above-average yields. Brazil is forecast to produce 12.5 million tons, a drop of a fourth below last year. Soybean output in Paraguay is forecast at 500,000 tons, a one-third decline.

Argentina recently announced its first official area estimate for soybeans and sunflowerseed. For soybeans, however, the estimate is considered too conservative. After flooding limited wheat plantings, Argentine producers probably planted more single-cropped soybeans. Argentina's soybean crop is estimated by USDA at 7.3 million tons, about 800,000 above the previous year.

Harvest progress for Argentina's sunflowerseeds has been quick, and the crop should be up from last year. But, yields may be low in some areas. Poor export demand has led to sharply lower prices for this high-oil-content crop. Ample world oil supplies are cutting into the demand for sunflowerseeds.

The lower production in the Southern Hemisphere implies a drop of 3.26 million tons in the region's soybean exports, with the bulk of the drop stemming from Brazil's shortfall. Exports of soybean meal and oil will also fall, but far less than bean exports.

Since January, U.S. soybean exports have been higher than a year ago, primarily due to a surge in sales to the Soviet Union. The United States has sold a record 1.4 million tons of soybeans to the USSR. With reduced Brazilian supplies, the movement of U.S. soybean exports during the coming months and the first quarter of 1986/87 should be strong. However, exports late this season could be slowed by the market's anticipation of a reduced soybean loan rate for the 1986 crop.

Palm oil production is rising sharply. Malaysia is expected to produce 4.5 million tons in 1985/86, while India's vegetable oil imports may decline. The large excess supplies have sharply lowered prices in recent months—and prices may remain low for the rest of the year. [*Roger Hoskin (202) 786-1840 and Jan Lipson (202) 786-1691*]

• *Cotton*

U.S. cotton mill use and exports continue to move in opposite directions this season. In January, the seasonally adjusted annual rate of mill use rose to nearly 6-1/2 million bales, the highest for any month since May 1980. Mill use for 1985/86 is now forecast at 6.2 million bales; this would be 12 percent more than last season and the largest since 1979/80.

What makes the mill use resurgence remarkable is that it is occurring in the face of an enormous U.S. trade deficit in cotton textiles. Growing consumer preferences for natural fibers and a decline in the cotton/polyester price ratio explain the increase in mill use.

The forecast for 1985/86 U.S. cotton exports continues to decline. Exports are now placed at 2.3 million bales; this would be the smallest total since 1955/56. U.S. prices are not competitive and are not likely to be so until the 1986/87 season begins August 1.

World cotton ending stocks will rise in 1985/86. The continued surplus stocks have pushed world prices down. As world prices have fallen, the gap between U.S. and world prices has widened, further reducing the U.S. share of world trade.

World stocks are now estimated at more than 8 months' use. Most of the growth in stocks is in the United States, Pakistan, and China. U.S. 1985/86 ending stocks are estimated to be more than double 1984/85, while Pakistan's stocks will rise nearly 90 percent and China's 26 percent. The combined increase in these three exporting nations is estimated at 11.2 million bales. Most other nations, both exporters and importers, are drawing down their stocks, but the 2.1-million-bale drop will not be sufficient to offset the growth in the three exporters.

Although world production was reduced 5.5 million bales, or 6 percent, in 1985/86, the drop was not nearly enough to reduce the huge surplus. Production increases in several major exporters, including the United States, the USSR, Pakistan, and Egypt, exacerbated the oversupply. The forecast 19-percent rise in Pakistan's production presents an added burden on the world market; Pakistan's cotton is mostly exported and is of the lower qualities currently in greatest surplus on the world market.

World consumption in 1985/86 is estimated to be a record 72.7 million bales, up 5 percent from last year. Most of the improvement is occurring among the major producers. Consumption growth would be even greater except for importers' expectations of sharply lower prices when the 1986/87 U.S. program goes into effect. Importers' consumption in 1985/86 is estimated to be virtually unchanged from 1984/85. This compares with the 7-percent or 3-million-bale growth in exporters' consumption. [*Sam Evans (202) 786-1840 and Carolyn Whitton (202) 798-1691*]

• *Tobacco*

U.S. consumers smoked an estimated 594 billion cigarettes in 1985. This was about 1 percent below the previous year and 7 percent below the record consumption of 1981.

USDA estimates that for 1985, consumption per person (18 and over) dropped to 3,378 cigarettes, a 2-percent decline from 1984 and 12 percent below 1981. The per capita figure is 22 percent below the 1963 peak and the lowest since 1944.

The outlook for 1986 and 1987 is for consumption to fall a little from 1985. Per capita consumption will also continue to decline. These conclusions stem from continued rises in State excise taxes, further increases in retail prices, con-

tinued and heightened antismoking activity, and increasing restrictions on where people can smoke.

Increases in manufacturing and distribution costs, as well as tax increases, have raised cigarette prices significantly the last 3-1/2 years. The Federal excise tax was increased temporarily from 8 to 16 cents a pack in 1983, the first increase since 1951, and the tax is expected to become permanent.

A total of 30 States raised excise taxes by about 5 cents a pack on average during 1983-85. State tax levies now vary from 2 cents a pack in North Carolina to 28 cents in Maine. The combined city and State tax is 29 cents in New York City and 43 cents in Chicago. Further State tax increases will occur in 1986.

Wholesale cigarette prices rose in June and again in December 1985. The December increase marked the tenth hike since August 1982 and was the result of the doubled Federal excise tax and increased manufacturers' costs. Retail cigarette prices jumped 43 percent from August 1982 to December 1985. However, the rate of increase has slowed the last 2 years. Prices rose 6 percent in 1985 and are likely to be up 6 to 8 percent in 1986. This slower rate of increase, together with the switch by some smokers to lower priced generic cigarettes, could cushion the fall in cigarette use.

Antismoking activity, including legislation, continues to affect the industry. More than four-fifths of the States now have laws that either prohibit smoking in certain places or segregate smokers and nonsmokers. Ten States regulate smoking in the workplace. Also, a large number of towns and cities have smoking restrictions.

The U.S. Department of Health and Human Services and voluntary health agencies are continuing efforts to discourage smoking. Furthermore, even though decisions in two recent product-liability suits were favorable to cigarette manufacturers, a number of additional suits are pending.

The effect of publicity and ordinances on smoking is uncertain, although it almost surely accounts for some of the downward trend in per capita consumption. Under changes in the Federal Cigarette Labeling and Advertising Act effective in October 1985, four separate warnings about the hazards of smoking are being rotated at about 3-month intervals.

Warnings on cigarette packages are about 50 percent bigger than the ones they replaced, and are surrounded by thick lines. Similar warnings are posted on billboards and published in ads.

Each brand of cigarette is assigned a rotation of the four warnings, which are changed quarterly depending on the date the cigarettes are manufactured or packaged. The same system applies to advertising. All four warnings now appear before the public at all times.

Reduced cigarette consumption, together with increased imports and a continuing decline in tobacco use per cigarette, is causing a decline in tobacco production quotas in the United States. The decline in consumption has resulted in increased competition among cigarette manufacturers for market share. The heightened competition has resulted in the introduction of 25 cigarettes per pack for the same price as packs of 20, development of generic and mid-priced brands, increased couponing, and greater product advertising. [*Verner N. Grise (202) 786-1840*]

• *Peanuts*

The national average support level for quota peanuts was set at $607.47 per short ton for 1986, up $48.47 from 1985. Additional peanuts will be supported at $149.75 per short ton, up $1.75.

The minimum sales price for additional peanuts sold by the Commodity Credit Corporation for export edible use will be no less than $400 per ton, or CCC administrative costs plus 102 percent of the average contract price by type for additional peanuts delivered under contract, whichever is less. For 1985, the minimum sales price is $425 per ton.

Data for the first 6 months of the marketing year indicate that food use of peanuts is up more than 10 percent from a year earlier. Exports are expected to equal last year, and not decline as earlier predicted.

Crush is expected to increase, but carryout stocks are forecast to decline only slightly to 1,400 million pounds. Record carryin stocks and production exceeded only by last year's crop resulted in record supplies for this year, up nearly 550 million pounds from 1985. [*Duane Hacklander (202) 786-1840*]

• *Fruit*

With seasonally larger supplies of apples, pears, and citrus, fruit prices have declined this winter. The February grower price for fresh and processing fruit fell for the third consecutive month, to 15 percent below a year earlier. However, grower prices are expected to strengthen this spring and early summer because of a much smaller supply of California Valencia oranges and declining supplies of apples and pears.

Reversing a downward trend of the last 3 months, the Bureau of Labor Statistics' Consumer Price Index for fresh fruit in January advanced almost 5 percent from December and 3 percent from a year earlier. Most fresh fruit showed price increases. Strong demand and lower stocks of apples, pears, and grapefruit this spring should continue to push retail prices above a year earlier. Retail prices for processed fruit declined steadily to only 1 percent above a year earlier in January.

As of March 1, prospects pointed to an orange crop of 179 million boxes, 13 percent above last season. Reflecting larger supplies, fresh orange prices have been well below last year's high. However, prices are expected to strengthen in the late spring and summer because of the California Valencia drop.

Through March 1, Florida packers processed a slightly smaller quantity of frozen concentrated orange juice (FCOJ) than a year earlier. (Last year, Florida packers processed FCOJ around the clock immediately following the January freeze to salvage the damaged fruit.) Nevertheless, the larger crop will produce much more FCOJ this season. Although imports, mostly from Brazil into Florida, have greatly decreased, they are still expected to be large, as other States continue to increase imports. Even with moderately smaller beginning stocks, the total supply of FCOJ is still likely to exceed that of 1984/85.

Florida FCOJ movement remains moderately behind last season's pace. Consequently, f.o.b. prices are now $3.84 per dozen 6-ounce cans (unadvertised brand), compared with $5.34 a year ago. Sluggish movement, and the recent reduction of Brazilian orange juice from $1,150 to $1,000 a metric ton, f.o.b. Santos, may further weaken prices.

The March 1 forecast for the 1985/86 grapefruit crop (excluding California grapefruit outside of the Desert Valley) is 51.1 million boxes, 1 percent less than last season. With strong demand, prices have been firm and are expected to remain so during the balance of the season.

U.S. lemon production is estimated at 21 million boxes, 19 percent below 1984/85. Lemon prices have declined from early-season highs, but still have averaged sharply higher this season than last. In view of smaller supplies, the season-average lemon price is likely to be above last year's high level. [*Ben Huang (202) 786-1766*]

• *Vegetables*

The U.S. potato industry faces a 20-percent drop in cash receipts for the 1985 crop. Adjusted for inflation, the 1985 crop's value will drop about 24 percent—the first decline since 1982. The record 350-million-cwt harvest for fall 1985 contributed to the recent low prices.

The 1986 outlook—which includes high stocks of frozen potatoes, low prices for fall storage potatoes, and modest growth in the U.S. economy—suggests that potato growers will cut back total acreage as much as 10 to 15 percent. Already, growers have planted 16 percent fewer acres of 1986 winter and spring potatoes and purchased 19 percent fewer seed potatoes than a year earlier.

The fall crop, usually 87 percent of the annual total, is distributed from storage during December-July. Therefore, the farm price during the winter, spring, and summer months is largely determined by the relative size of the preceding fall crop. February 1 stocks indicated 50 percent of the fall 1985 crop remained in storage, compared with 48 percent a year earlier.

For spring 1986, forecast low prices for fresh-market potatoes and a slowdown in processor demand signal continued weakness in the grower market. Retail prices for fresh potatoes also are substantially below early 1985. Frozen stocks will remain high for the rest of the spring and summer, placing pressure on processors to reduce fall 1986 acreage contracts. Growers tend to cut back acreage following a season of low prices, and because all indicators point to a depressed 1985 season-average price. 1986 planted area is likely to fall below the 1970-85 trend.

U.S. planted potato acreage is forecast at 1.2 to 1.3 million acres, down 11 percent from 1985's 1.4 million. An average 1.25 million acres harvested with a trend yield of 290 cwt an acre would result in a 1986 crop of 383 million cwt. This 10-percent reduction from 1985's record would likely boost the 1986 season-average price. Increased demand for frozen potatoes during second-half 1986 will further boost the 1986 season-average price. [*John M. Love (202) 786-1767*]

• *Sugar*

On February 27, the Administration announced that the current quota year for sugar would be extended for 3 months, to December 31, 1986. The extension will reduce sugar imports in fiscal 1986 by approximately 425,000 short tons, raw value. This reduction is designed to bring supplies in line with demand and avoid forfeitures of loan-collateral sugar to the Commodity Credit Corporation. The 4.3-percent Gramm-Rudman-Hollings reduction will lower the national average loan proceeds on raw cane sugar from 18.00 to 17.23 cents a pound.

In 1985, estimated U.S. sugar production was 5.966 million tons, raw value, up 1 percent from a year earlier. Production could total about the same in 1986. [*David Harvey (202) 786-1766*]

Food and Marketing

FOOD PRICE OUTLOOK

The Consumer Price Index for food in 1986 is forecast to rise only 2 to 4 percent from 1985. Small food price increases will follow the trend of the past few years and stem from large supplies of many farm foods. In addition, the slowdown in the general inflation rate is holding down increases in food processing and distribution costs.

Since passage of the Food Security Act of 1985, only one component of the CPI for food has been revised—cereals and bakery products. The new law is expected to lower market prices for wheat, corn, rice and thus dampen retail price gains for cereals and bakery products.

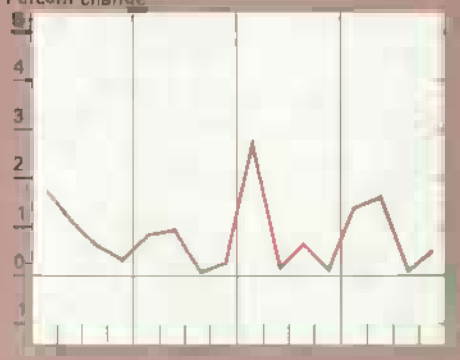
The farm value of cereals and bakery products is small compared with other food categories—about 10 percent. (The farm value is that portion of the consumer's dollar that goes to farmers.) The other 90 percent of the retail cost goes for processing, packaging, transportation, and other costs of marketing.

Reflecting weak demand and the effects of new legislation, the farm value of cereals and bakery products is expected to drop about 20 percent from 1985. This would amount to a 2-percent drop at retail. However, an expected 2- to 3-

Food and Marketing Indicators

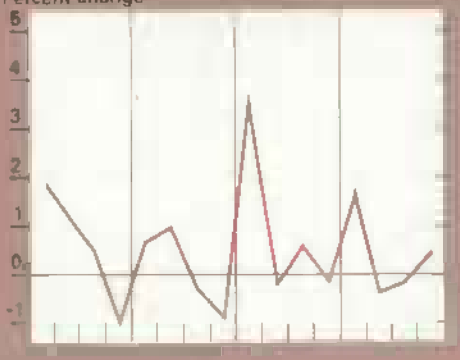
CPI: Total food[0]

Percent change



CPI: Food at home[0]

Percent change

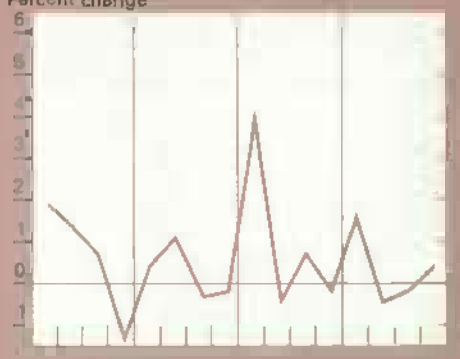


CPI: Food away from home[0]

Percent change

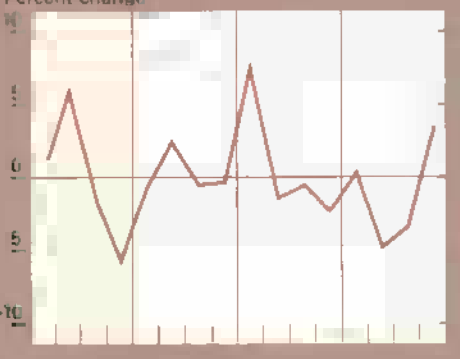
Retail cost of food[1]

Percent change



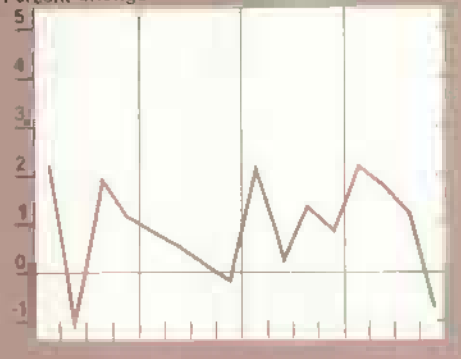
Farm value of food[1]

Percent change



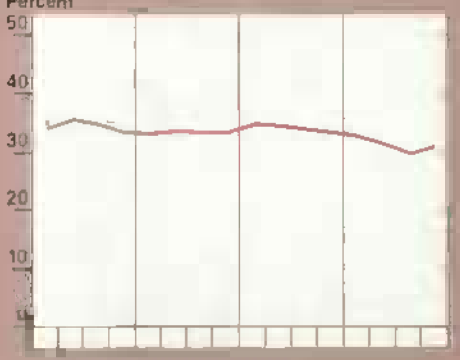
Farm-retail spread[1]

Percent change



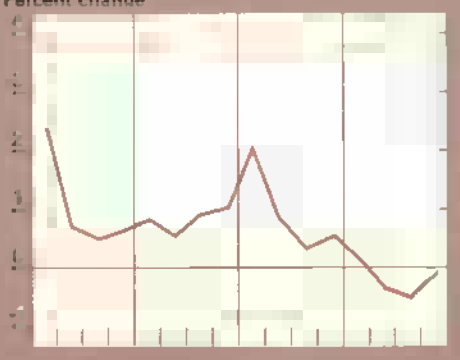
Farm value/retail cost[1]

Percent



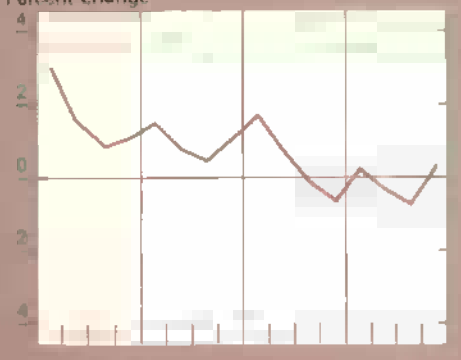
Food marketing cost index[2]

Percent change



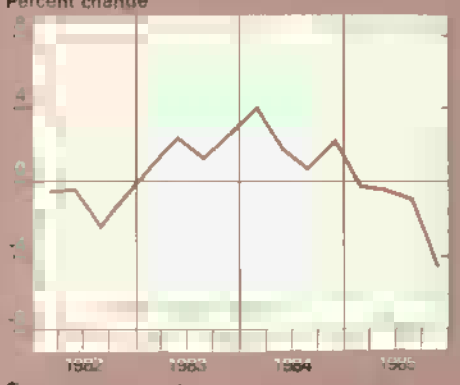
Index of hourly earnings[3,4]

Percent change



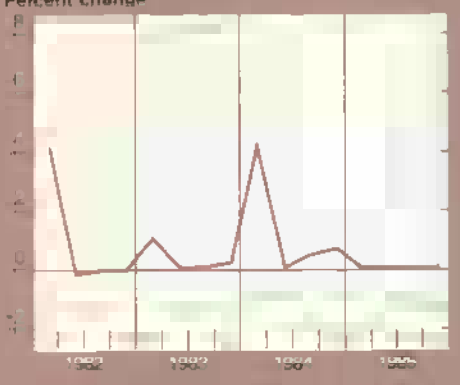
Index of packaging prices[4]

Percent change



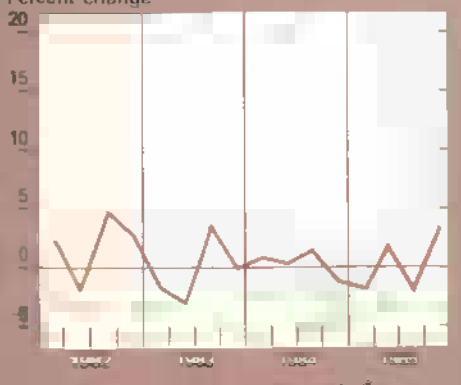
Index of rail freight rates[4]

Percent change



Index of energy rates[4]

Percent change



[0]CPI unadjusted. [1]Index based on market basket of farm foods. [2]Index of changes in labor, packaging, transportation, energy, and other marketing costs. [3]In food retailing, wholesaling, and processing. [4]Component of food marketing cost index.

All series expressed as percentage change from preceding quarter, except for "Farm value share of retail cost" chart.

Changes in Food Prices

Consumer Price Indexes	Percent share	1983	1984	1985	1986F
		Percent change			
All food	100.0	2.1	3.8	2.3	2 - 4
Food away from home	33.0	4.4	4.2	4.0	3 - 5
Food at home	67.0	1.1	3.7	1.4	1 - 3
Meat, poultry, & fish	20.1	-0.7	1.6	-0.3	2 - 4
Meats	15.7	-1.1	0.3	-1.0	3 - 5
Beef & veal	8.5	-1.5	1.2	-2.1	3 - 5
Pork	4.5	-0.7	-1.3	0.2	3 - 5
Poultry	2.2	1.2	10.6	-1.0	-2 - 0
Fish & seafood	2.2	1.2	3.2	4.9	2 - 4
Eggs	1.3	4.7	11.7	-16.6	3 - 5
Dairy prod.	8.8	1.2	1.3	1.9	-2 - 0
Fats & oils	1.9	1.3	9.5	2.2	2 - 4
Fruits & vegetables	10.1	0.3	8.6	2.6	1 - 3
Sugar & sweets	2.6	1.9	3.9	2.5	2 - 4
Cereals & bakery prod.	9.1	3.2	4.4	3.8	1 - 3
Nonalcoholic beverages	7.4	1.9	2.5	2.0	2 - 4

F = forecast.

percent rise in food processing and marketing costs will offset some of the drop. Therefore, cereals and bakery products prices are now forecast to rise 1 to 3 percent, down from the 2 to 4 percent forecast before the bill was passed. Cereals and bakery products account for about 9 percent of consumer food purchases, so this revision is not expected to significantly affect the 1986 CPI for all food.

Meat Prices Climbing 2-4 Percent

While 1986 meat production will probably decrease from 1985's record, supplies will remain ample. Current livestock inventories are a good indication of future meat supplies. These inventories are incorporated in the CPI forecast for red meats. Passage of the Food Security Act of 1985, therefore, did not change the forecast—up 2 to 4 percent from 1985.

Retail coffee prices in January 1986 rose 9 percent from December 1985. Coffee production in Brazil has been hit by drought, so retail prices in 1986 are expected to be sharply higher than in 1985. The first-quarter increase was likely the strongest because of shortages caused by consumers stocking up to avoid further price hikes.

In subsequent quarters, coffee prices should moderate as purchase patterns return to normal. Roasted, freeze dried, and instant coffee account for only about 1.4 percent of consumer food purchases, and changes in retail prices thus have only a small impact on the total CPI for food.

Poultry, Dairy, Vegetable Prices May Not Change from 1985

Retail prices for poultry, dairy products, and fresh vegetables are likely to average the same as last year or below. Poultry production is expected to increase this year. But even with larger supplies, prices will remain near last year, as consumers substitute poultry for higher priced red meats.

Dairy product prices will be slightly below last year's because of lower Government support prices for milk. Large supplies and low prices for potatoes, as well as good weather in the winter vegetable-growing areas, will hold fresh vegetable prices near or below 1985. [*Ralph Parlett (202) 786-1870*]

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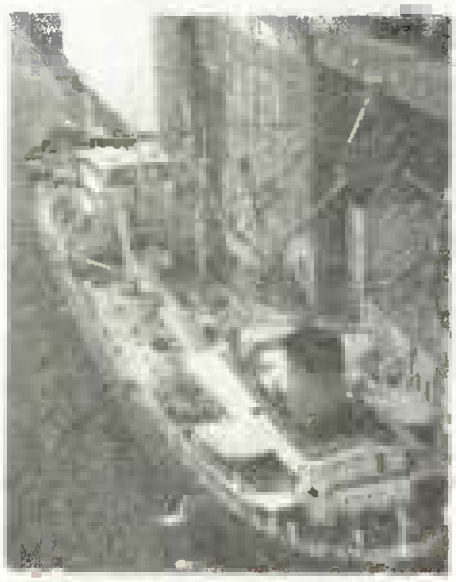


World Agriculture and Trade

WORLD EXPORT FORECASTS BY REGION

The decline in U.S. agricultural exports is expected to continue in fiscal 1986, but for some commodities the outlook is now more favorable than it was last quarter. Export volume is forecast to fall slightly from last year, even though a drought-reduced Brazilian soybean crop will likely lead to a larger U.S. share of the world soybean market.

The $3.2-billion decline expected in the value of U.S. exports in 1986 is less than the $6.8-billion contraction of 1985, and will stem largely from falling prices rather than from declining sales.

Wheat Export Volume To Remain Steady

In contrast with 1985's large decline in wheat export volume, the outlook for U.S. wheat exports in 1986 is lower only in value and is steady in volume. Abundant wheat production, record foreign beginning stocks, and stiff competition from other exporters have led to the lowest U.S. October-December wheat exports since 1978.

The export pace is expected to remain slow through May, but then improve considerably as lower 1986/87 loan rates help reduce U.S. export prices. Thanks to the lower prices, the declining trend in the United States' world market share is expected to end.

U.S. exports of oilseeds and products will probably beat their weak 1985 performance, increasing in volume for the first time since 1982. Rising exports of soybeans and soybean meal are expected to offset declines for other oilseeds and products. Similarly, the volume of U.S. horticultural exports may rise for the first time since 1981, if only slightly.

Outlook Remains Poor for Other Commodities

Prospects for U.S. coarse grain exports in 1986 are less bright, however. Competition in East Asia continues to intensify due to large exportable supplies of Thai and Chinese corn, feed wheat from several suppliers, and expected increased exportable supplies of corn from South Africa and Argentina. In 1985, lagging U.S. sales to major markets were largely offset by record Soviet corn imports, but this will not be the case in 1986, and U.S. exports are expected to fall.

Cotton is facing even stiffer competition in 1986, and the decrease in U.S. cotton exports will be proportionately the largest for any agricultural commodity. The value and volume of U.S. cotton exports is expected to fall about one-half. Lower priced competitors such as China and Pakistan are expected to take much of the United States' market share due to the unusually wide gap between their prices and those in the United States.

U.S. Share of World Trade Has Been Declining

Since the forecast declines in U.S. coarse grain and cotton exports outweigh the increases foreseen in other products, the volume of U.S. agricultural exports is expected to decline in 1986, as it has every year since 1980. In contrast, the United Nations' Food and Agricultural Organization reported that world farm product trade volume increased every year during 1980-84. Subsequent declines have probably been more than matched by lower U.S. exports. The U.S. share of world trade volume fell from more than 40 percent in 1980 to below 35 percent in 1984, and has continued to fall since. In 1986, the U.S. world market share of volume will probably be at its lowest level since the early 1970's.

However, when one looks at the value, a different picture emerges: the U.S. share has remained nearly constant. The implication is that average U.S. export prices have tended to remain higher than foreign prices. A similar divergence exists for nonagricultural trade values.

U.S. Exports to Many Regions Are Falling in 1986

While the data above imply that reduced competitiveness may have been the major factor in lower exports, examination of the United States' 1986 prospects, customer by customer, reveals other variables.

Western Europe.—A fifth consecutive year of decline is expected for U.S. agricultural exports to Western Europe, with sales likely to reach little more than half 1981's peak. Last year's decline stemmed in large part from the region's massive jump in grain production. While the most recent harvest was smaller, it remained next to a record. As a result, EC cereal intervention stocks nearly tripled by the beginning of fiscal 1986.

U.S. coarse grain exports to the region are expected to fall in 1986, with declining use of mixed feeds in Spain and Portugal and increased use of feed wheat and manioc in the region. U.S. soybean exports to Western Europe are expected to rise, despite a forecast of stagnant meal consumption. Reduced Brazilian supplies will mean a larger U.S. market share, and stronger European meal exports to the Soviet Union may also boost European soybean needs.

Japan.—Japan is expected to regain its position as the United States' largest coarse grain customer in fiscal 1986. However, the value of U.S. exports to Japan is expected to fall $600 million to $5.1 billion, thanks to lower prices. Coarse grain sales may climb slightly as the value of the yen strengthens against the dollar and U.S. grain prices fall. Following Brazil's drought, U.S. soybean sales are forecast to increase in Japan, as in Western Europe, adding to favorable U.S. export prospects.

U.S. wheat sales to Japan will be down following another large Japanese harvest. U.S. sales of tobacco and cotton are also likely to drop—cotton by more

than 50 percent. Competitors are overwhelming much of the United States' traditional share of the Japanese cotton market.

Canada.—U.S. agricultural exports to Canada were 25 percent lower in value during the first quarter of fiscal 1986, and are expected to finish the year at their lowest in a decade. The forecast for U.S. coarse grain sales fell because of a record corn crop in eastern Canada and a larger-than-expected barley harvest.

In addition, a record Canadian soybean crop is expected to cut imports of U.S. soybeans. Another factor hampering U.S. exports to Canada in 1986 is the continuing fall of Canadian currency against the U.S. dollar. While the U.S. dollar has been declining compared with most major currencies, the Canadian dollar has been weakened even further by falling oil prices, domestic banking problems, and local political events.

USSR.—One of the largest declines in U.S. agricultural exports in fiscal 1986 is expected to occur in the Soviet Union. Improved grain production and quality, record nongrain feed harvests, and lower livestock numbers will cut Soviet grain imports from all sources nearly 40 percent. U.S. sales are expected to drop $1.5 billion, despite record soybean exports to the Soviets.

Eastern Europe.—U.S. farm product exports to Eastern Europe are expected to remain nearly unchanged in 1986. Bumper harvests and lower import needs in the region's northern countries will be offset by drought-induced sales to Bulgaria and Yugoslavia. Again this year, hard currency shortages will restrain Eastern Europe's imports and prevent coarse grain sales there from rebounding, despite greater needs.

China.—U.S. agricultural exports to China are forecast to fall below $200 million in 1986, a decline of more than 40 percent. China's most recent grain crop, although lower than a year earlier, is still its third largest ever. Total wheat imports are expected to drop again in 1986, and the United States continues to lose market share.

China's leaders are concerned about the strains of rapid economic expansion and a growing trade deficit, and they are expected to try to reduce imports. One exception to this is China's purchase of 215,000 tons of U.S. soybeans this year, the first from any sources since 1981/82.

U.S. Agricultural Exports: Value and Volume by Commodity

	Fiscal 1985	Fiscal 1986 F
	$ billion	
VALUE		
Grains & feed	13.424	11.0
Wheat & flour	4.427	3.6
Rice	.676	.6
Coarse grains 1/	6.867	5.4
Corn	5.771	4.5
Oilseeds & prod.	6.366	6.3
Soybeans	3.872	4.2
Soybean cake & meal	.834	1.0
Soybean oil	.558	.4
Livestock & prod.	3.308	3.3
Poultry & prod.	.393	.4
Dairy prod.	.418	.5
Horticultural prod.	2.607	2.7
Tobacco	1.588	1.5
Cotton & linters	1.967	1.0
Seeds	.343	.4
Sugar & tropical prod.	.769	.8
Total	31.182	28.0
	Million metric tons	
VOLUME		
Wheat	28.524	28.0
Wheat flour	.782	1.2
Coarse grains 1/	55.231	49.1
Corn	46.276	41.3
Feeds, ingred., & fodders	6.395	6.4
Rice	1.972	1.8
Soybeans	16.620	20.4
Soybean cake & meal	4.460	5.1
Soybean oil	.752	.6
Sunflowerseed	.999	.6
Sunflowerseed oil	.130	.1
Other oilcakes & meals	.149	.2
Beef, pork, & variety meats	.400	.4
Poultry meat	.236	.2
Animal fats	1.199	1.3
Tobacco	.257	.2
Cotton & linters	1.317	.7
Horticultural prod.	2.659	2.7
Other	3.652	3.6
Total	125.735	122.5

1/ Includes corn, oats, barley, sorghum, rye, and products. *As of February 19, 1986.
F = forecast.

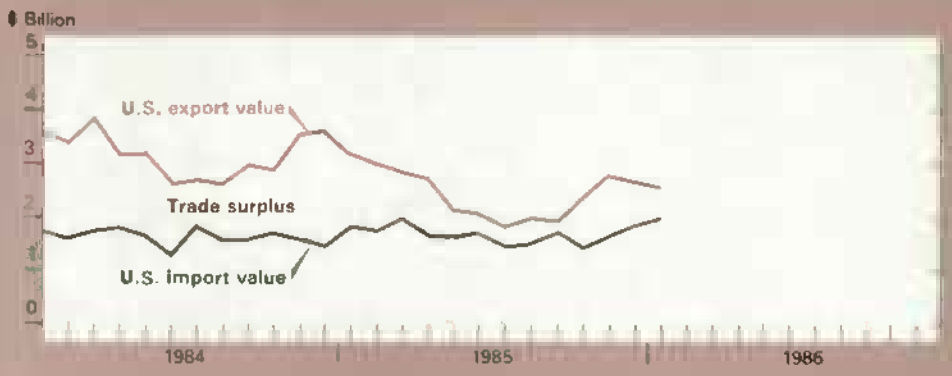
South Asia.—Exports to South Asia are forecast to fall slightly in 1986. Prospects are for larger concessional and credit sales of wheat and soybean oil to Pakistan and Sri Lanka, but reduced demand for food grains and edible oils elsewhere in the region.

Other East Asia.—Lower prices and lower cotton sales will probably reduce the value of U.S. agricultural exports to Korea, Taiwan, and Hong Kong about 14 percent. These middle-income East Asian countries are usually the United States' largest cotton market—accounting for about one-third of all U.S. exports.

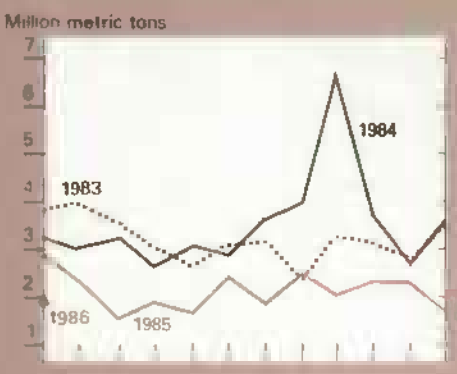
Increased livestock feeding in South Korea is expected to boost the volume of U.S. soybean sales to the region, but the increase in volume will be insufficient to offset declining prices. Supplies of Australian and Canadian feed wheat are ample this year, and Korea may pur-

U.S. Agricultural Trade Indicators

U.S. agricultural trade balance



U.S. wheat exports



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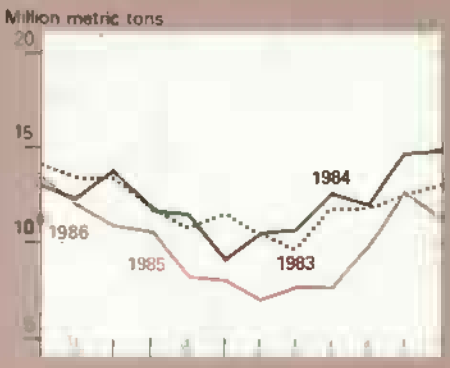
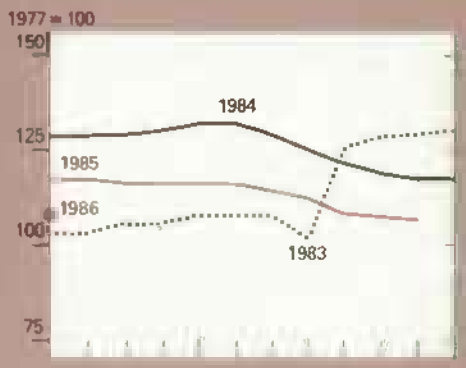
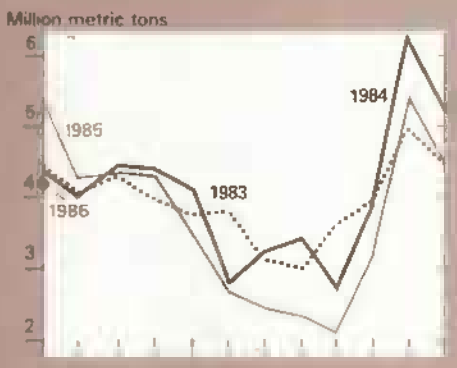


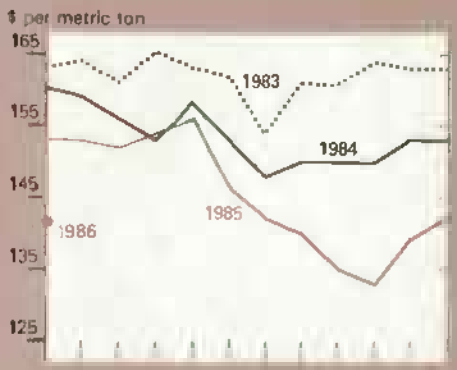
Export prices



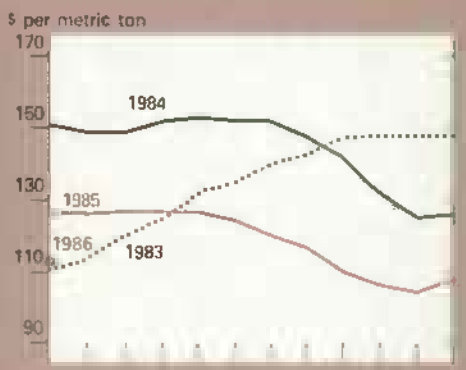
U.S. corn exports



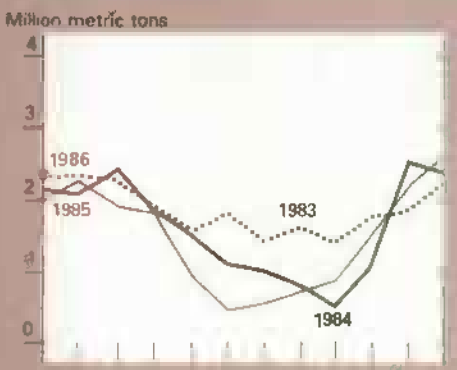
Wheat export unit value*



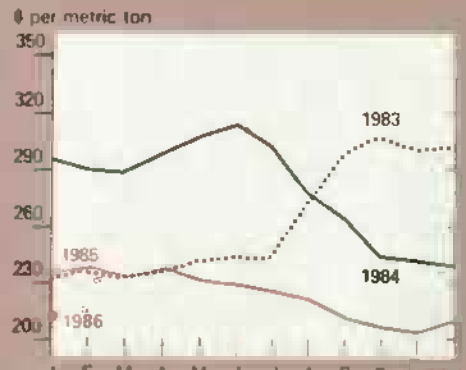
Corn export unit value*



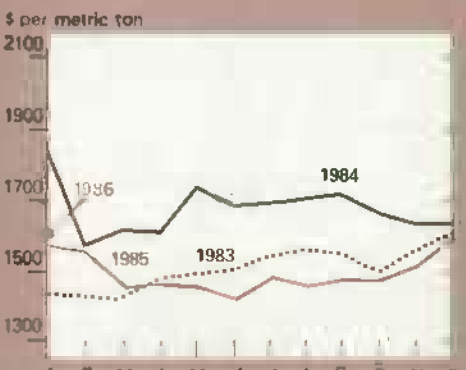
U.S. soybean exports



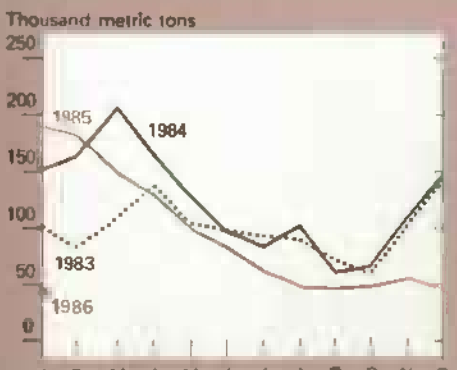
Soybeans export unit value*



Cotton export unit value*



U.S. cotton exports



*Value of U.S. exports divided by volume exported. Data on the wheat, corn, soybean, and cotton exchange rates are now included in the U.S. Agricultural Trade tables at the back of this issue.

chase significant quantities from them as it has in the past.

Southeast Asia.—As in 1985, strong domestic food production, sluggish export earnings, and intense price competition in Southeast Asia will shrink U.S. agricultural sales to the region during fiscal 1986. Southeast Asia is a net exporter of food and energy, and weak prices have reduced earnings from both. The subsequent slowdown in economic growth and consumer demand will reduce demand for U.S. agricultural products.

The recent announcement of an Export Enhancement Program (EEP) initiative for wheat and wheat flour sales to the Philippines and the prospect of lower U.S. wheat prices are helping to boost the volume of wheat exports.

Middle East.—The value of exports to the Middle East is forecast to fall only slightly from 1985's $1.45 billion. Increased wheat and oilseed sales should offset an expected decline in coarse grain exports. GSM-102 credit guarantees for Iraq, and another poor Israeli harvest, are expected to support U.S. wheat sales. Wheat sales to Turkey are already above 1985's tonnage, thanks to sales under an EEP initiative.

Improved coarse grain production in the United States' largest Middle East customers—Turkey and Iraq—will probably mean lower U.S. coarse grain sales to the region.

North Africa.—North Africa is one of the more promising regions for U.S. agricultural exports in 1986. U.S. wheat sales to North Africa, assisted by the EEP, are expected to rise. North Africa has been a major focus for EEP initiatives. Coarse grain sales rose in 1985, and are expected to grow again as local efforts to boost meat consumption continue. Increases will be tempered, however, by record grain crops in Algeria and Tunisia.

Sub-Saharan Africa.—Declines in both commercial and concessional exports are expected to leave U.S. farm product sales to Sub-Saharan Africa nearly one-third below the high levels of the last 2 years.

U.S. Agricultural Export Value by Region

Region	Fiscal 1985	Fiscal 1986 F
	$ billion	
Western Europe	7.184	6.9
European Community	5.336	5.3
Other West. Eur. 1/	1.849	1.6
Eastern Europe	.531	.5
USSR	2.509	1.5
Asia	11.934	10.5
Middle East 2/	1.452	1.3
South Asia 3/	.600	.6
Japan	5.663	5.1
China	.239	.1
Other East Asia 4/	3.137	2.7
Southeast Asia 5/	.843	.7
Canada	1.727	1.5
Africa	2.528	2.3
North Africa 6/	1.208	1.4
Sub-Saharan Africa	1.319	.9
Latin America	4.565	4.6
Mexico	1.564	1.5
Central America & Caribbean	1.129	1.2
South America	1.872	1.9
Oceania	.204	.2
Total	31.182	28.0
Developed countries 7/	15.226	13.7
Less developed countries	12.676	12.2
Centrally planned countries	3.280	2.1

1/ Includes Spain and Portugal. 2/ Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, Jordan, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Yemen (Sana), Yemen (Aden), Oman, and Bahrain. 3/ Afghanistan, India, Pakistan, Nepal, Bangladesh, and Sri Lanka. 4/ Korea, Hong Kong, and Taiwan. 5/ Burma, Thailand, Vietnam, Laos, Kampuchea, Malaysia, Singapore, Indonesia, Brunei, Philippines, and Macao. 6/ Morocco, Algeria, Tunisia, Libya, and Egypt. 7/ Western Europe, Japan, Canada, and Oceania.
F = forecast.

Import needs are sharply lower in most African countries. Improved weather in 1985 resulted in higher output. Sudan, for example, had a record cereal harvest. However, food aid shipments to Sudan and other countries are expected to continue. U.S. wheat shipments to the region are expected to surpass 1985's record volume because of increases in regional demand and drought damage to South Africa's crop this year.

Imports of all goods by Sub-Saharan countries will again be constrained by currency devaluations and by that region's sluggish economic growth, which has caused per capita GNP to fall 16 percent since 1980. Foreign exchange shortages remain severe in the region.

Latin America.—Although wheat sales to the region are forecast to drop because of record Brazilian production, the dry weather that boosted the wheat harvest has dramatically cut the corn and soybean crops and increased U.S. export prospects to Brazil. Mexico might also import more U.S. coarse grains. Increased coarse grain exports to the region are expected to at least offset lower wheat exports. [*Steve MacDonald (202) 786-1621*]

THE WORLD ECONOMY: OUTLOOK FOR 1986

World economic growth in 1986, excluding the United States, could slow for the second consecutive year. Growth may decline slightly from 1985's 3.0 percent and 1984's 3.1.

This projection largely reflects the continuing dampening effects of slower U.S. growth since 1984 and the decline in the dollar's value since February 1985. Both these factors are already slowing U.S. import growth, which will limit export expansion in other parts of the world, particularly in the United States' main trading partners.

The major engines of foreign growth this year will likely be domestic demand—consumption and investment in each country's own economy—and, to some extent, government policy. In Europe, the increasing role of domestic demand reflects an actual strengthening of domestic economic activity. In countries such as Japan, where exports have accounted for much of the income growth, the relative importance of domestic demand will increase only because export growth will slow.

Income gains from exports during the last 3 years have enabled many countries to raise consumption and investment; these export earnings boosted economies at the same time that official spending restraints reduced the governments' stimuli. With official deficits now smaller in proportion to overall economic activity, some governments, particularly those of Japan and Germany, are stimulating their economies this year through tax cuts.

Points of Optimism: Cheaper Oil, Continued Low Inflation

Several factors are supporting growth in 1986. Chief among these is the recent decline in world petroleum prices. This drop, magnified in many countries by the appreciation of their currencies against the dollar, will help speed income growth in much of the world.

A second factor is the continuing low rate of inflation in the industrialized world. Low inflation, and the expectation that it will continue, have allowed monetary officials to control money supplies within moderate rather than tight bounds. This in turn will likely help to maintain the decline in world interest rates.

A third factor that might raise growth rates, at least in Europe, is investment growth in the European Community. Surveys of European company intentions for 1986 indicate that growth in capital spending could increase 7 percent in real terms. Last year's growth was 10 percent, exactly as suggested by the survey taken 12 months earlier. The emerging rise in consumer spending in the EC may lead to increasing investment in consumer industries.

Areas of Caution: Dollar's Value, Oil Exporters' Debts

Future movements in oil prices represent a major uncertainty to the world growth outlook. Oil prices have declined $9 or more per barrel since the beginning of 1986. This drop hurts the financial position of several oil-exporting countries that have large debts, particularly Mexico.

Reduced prices for oil and the depreciation of the dollar against other currencies will distribute income gains differently among countries in 1986 than during the previous several years. Petroleum importing countries, especially those whose currencies are appreciating against the dollar, will benefit. Reductions in oil prices of 30 percent or more this year, combined with gains of roughly the same size for several major currencies, have resulted in potential savings of 50 percent or more for petroleum importers.

The future value of the dollar reflects a second uncertainty, especially for countries whose growth depends on exports to the United States or whose products compete with U.S. products in world markets. Because they will cost more, U.S. imports could decline this year.

The importance of the U.S. market to other countries' growth can be seen in the case of Japan. In 1984, U.S. real growth was a strong 6.6 percent and the value of Japan's exports to the United States jumped 39 percent. This growth alone accounted for one-third of Japan's 6-percent expansion of nominal income.

By contrast, in 1985, when U.S. real growth slowed to 2.3 percent and imports barely increased from the year before, Japan's exports to the United States rose only about 6 percent. U.S. buying accounted for only one-tenth of Japan's 5-percent nominal growth.

This year, U.S. imports from Japan are forecast to grow little or maybe even decline, because of slow U.S. economic growth and the dollar's depreciation. The result could be a drag on Japan's economic expansion.

Dollar Depreciation Not Uniform

As the dollar's value drops, it moves unevenly against various currencies. This in turn may cause large shifts in exporters' shares of the U.S. market. For example, Japan's yen has appreciated 30 percent since the dollar's peak last February. During the same time, though, Canada's dollar has continued to depreciate about 2 percent against the U.S. dollar, and Korea's won has depreciated 4 percent.

In response to the yen's appreciation against the dollar, Japan's exporters, especially of autos and electronic goods, are raising dollar prices of their U.S.-bound exports. But exporters in Canada, Brazil, and Korea are not reported to be raising prices of dollar-denominated exports.

These changes in prices will likely affect U.S. demand for goods from different regions; U.S. demand for Japanese goods is apt to decline relative to that for Canadian and Korean goods, among others. The persistent depreciation of the Canadian and Korean currencies implies that their exports to the United States may continue to increase through 1986. If so, the U.S. bill for imports could rise further in 1986, since these countries alone account for 25 percent of total U.S. imports.

Japan could feel wide-ranging repercussions from currency changes. It appears to be facing increasing competition in such manufacturing industries as steel, electronic goods, and automobiles. Major competitors include Korea, Taiwan, and Brazil. Lower unit costs in these countries reportedly have cut into Japan's potential markets during the past few years. Increasingly aggressive marketing, notably for Korean autos and consumer electronic goods, and current movements in exchange rates suggest that this erosion may be quicker over the next year and beyond, cutting into Japan's export earnings and income growth.

Oil Price Decline Doubles Mexico's Credit Needs

Europe, Japan, and a host of other countries are benefiting from the drop in oil prices. However, some countries that depend on oil exports to finance imports

and debt repayments are in a worsening position. Mexico doubled the additional international credit it requested for 1986 after its export price for oil slid $4 per barrel.

The drop to $15.07 per barrel, down $8.68 since January 31, has boosted Mexico's new credit needs to $8-$9 billion, from $4.8 billion. The need for added funds, the economic measures that Mexico might undertake to qualify for them, and the 10-percent peso devaluation following the price cut could hurt commercial sales of U.S. agricultural products to Mexico.

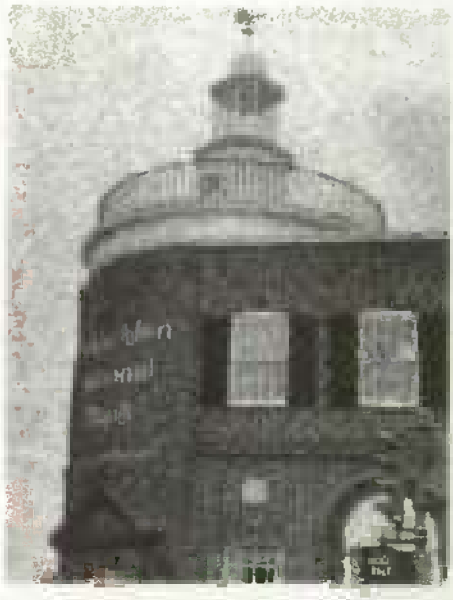
Third World's Exports Are Bringing Lower Prices

For the oil-importing developing countries, the decline in oil prices will likely provide a much-needed growth stimulus. Several indicators from 1985 show stagnant economies in much of the developing world. Dollar prices for internationally traded commodities declined 12 percent in 1985, after rising slightly in 1984. The drop in 1985 brings commodity prices to 72 percent of their 1980 highs. Demand for commodities could increase later this year because the dollar's decline lowers their prices in foreign currencies.

World export unit values, which reflect prices of all exports, including manufactured items, likely declined for 1985, but probably much less than commodity prices. Export unit value data are much less timely than commodity prices, but for the first half of 1985, the most recent data available, export unit values for the developing countries as a group fell 4 percent from their 1984 averages.

In dollars, first-half 1985 export values for Asia fell 9 percent from second-half 1984, and 2 percent from a year earlier. The Middle East's first-half 1985 export values dropped 5 percent from second-half 1984 and 10 percent from a year earlier.

The losses were greatest for Latin America's first-half 1985 values: 10 percent from the preceding half and 12 percent from a year earlier. First-half 1985 imports, a broad measure of domestic economic activity, declined from the preceding half for Asia and Latin America—by 2 and 4 percent, respectively—and showed modest or no improvement from a year before. [*Art Morey (202) 786-1687*]



General Economy

OUTLOOK FOR 1986

Although 1985 was the weakest year in the current expansion, lower oil prices and a declining Federal deficit may lead to a steadily growing, noninflationary U.S. economy for the next few years. However, this brighter picture is far from certain, and even lower oil prices and a smaller Federal deficit could have negative effects.

U.S. Economy in 1985 Gave Drab Performance

The drab performance of the U.S. economy in 1985 can be summarized as strong demand—weak production. While real consumer demand grew a healthy 3.2 percent, and constant dollar plant and equipment investment spurted 9.2 percent, real production (measured by real GNP) grew only 2.3 percent.

Strong consumer and business demand was met mostly by increased purchases of imported goods. Inventories, which were built up and fueled demand during the rapid growth of 1984, were flat in 1985, and exports declined in real terms for the year. Production grew slowly in 1985, with the unemployment rate stagnant near 7.2 percent for most of the year.

Inflation continued low in 1985. Producer prices for finished goods rose only 0.9 percent and consumer prices rose 3.6. Interest rates declined during the year. The 3-month Treasury bill rate, which began 1985 at 7.8 percent, ended the year at 7 percent, while Moody's AAA bond rate fell 2 percentage points. These rates are far below their postwar highs, 14 percent (T-bills) and 14.2 (bonds), which were reached in 1982.

The value of the dollar peaked in February 1985 and began a slow decline, which accelerated after the September Group-of-Five announcement that the Federal Reserve Board and foreign central banks would intervene to bring the value of the dollar down more quickly. By the end of 1985, the dollar had fallen more than 20 percent, on a trade-weighted basis. Trade volumes, however, did not immediately recover. Real net exports were lowest in fourth-quarter 1985.

The U.S. merchandise trade balance worsened early in 1986. Until the prices of imported goods rise enough to reduce quantities purchased in the United States, the trade balance will continue to worsen. Because prices of imported goods will rise faster than quantities will fall, the worsening trade balance may be an indication that adjustment is beginning.

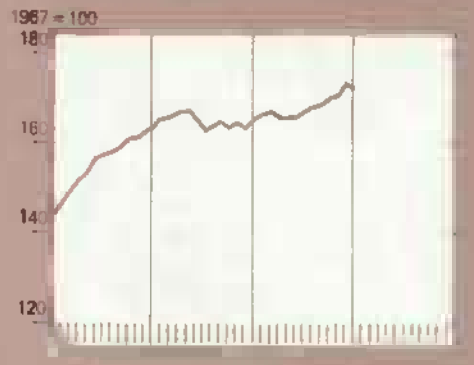
Service-Sector Employment Again Outstrips Manufacturing

Continuing a well established trend, employment and output in services generally grew more quickly than that in the goods-producing industries. Goods production was lackluster, with a few exceptions. Production in the defense and space industry grew 10 percent, but the overall industrial growth rate was only 2.1 percent.

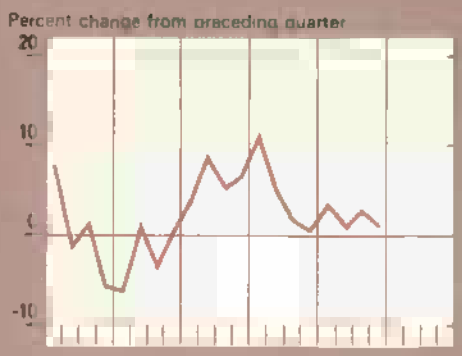
Employment gains followed a similar pattern. With the exception of some rather small industries, goods-producing sectors accounted for less employment growth than usual. There were approximately 3.25 million new jobs in 1985, but only about 250,000 were in goods-producing industries. The rest were in service-producing industries. Goods-producing industries account for a quarter of the work force, so their 250,000-job increase was well below what would have been necessary to maintain their share of the labor force.

General Economic Indicators

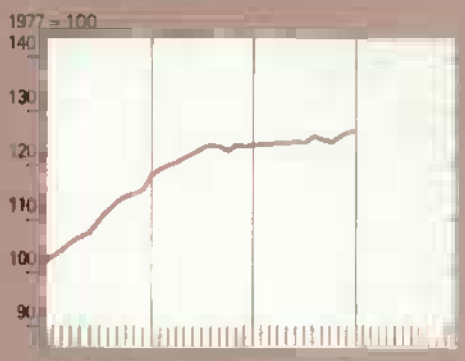
Composite leading economic indicators



Gross national product[1]

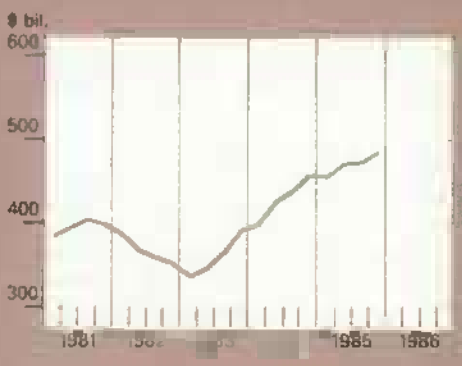


Industrial production

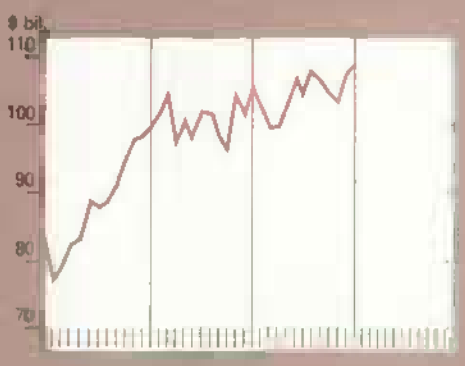


Disposable income and consumption expenditures[2]

Nonresidential fixed investment[2]

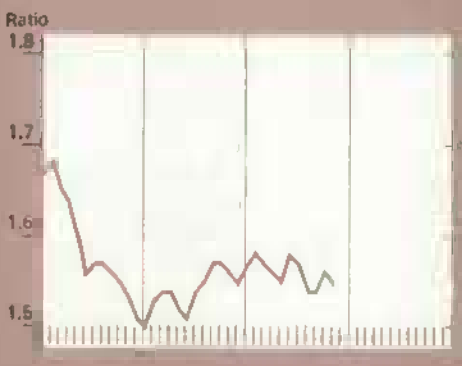


Manufacturers' durable goods orders[3]



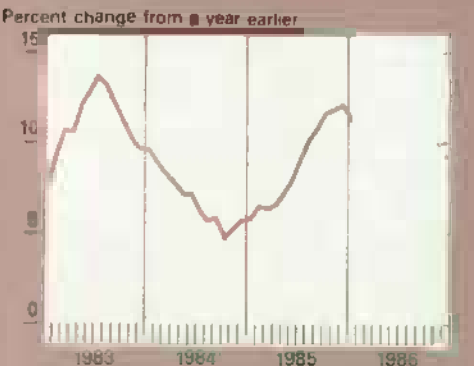
Consumer price index

Inventory/sales[4]

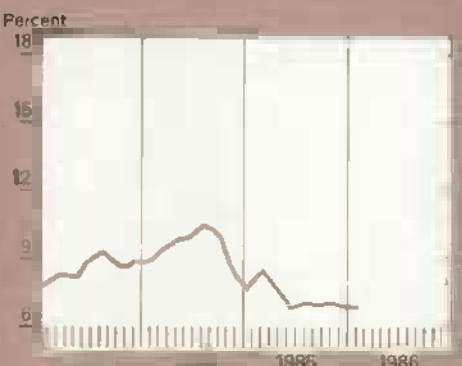


Unemployment rate[5]

Money supply (M1)



3-month treasury bill rate



Savings rate[6]

[1]Percent change from previous quarter in 1982 dollars. Seasonally adjusted annual rates. [2]Billions of 1982 dollars, seasonally adjusted at annual rates.
[3]Nominal dollars. [4]Manufacturing and trade, seasonally adjusted; based on 1982 dollars. [5]Seasonally adjusted.
[6]Calculated from disposition of personal income in 1982 dollars, seasonally adjusted at annual rates.
Sources are: U.S. Dept. of Commerce, U.S. Dept of Labor, and the Board of Governors of the Federal Reserve System.

Deficit Reduction, Lower Oil Prices Seen as Boost to Economy

In December, the Gramm-Rudman-Hollings Act was passed, setting the course of fiscal policy for the next 5 years. Action to reduce the Federal deficit cheered financial markets, and long-term interest rates fell half a percentage point in December because investors saw the action as good for the economy's long-term health.

However, many analysts believe that tight fiscal policy over the next 5 years will produce a decline in aggregate demand if the Federal Reserve Board does not attempt to reduce interest rates. The decline in the discount rate announced March 7 may imply that the Fed is moving to lower rates. The consensus among analysts is that the real growth rate will be slower in the short term while the economy adjusts to smaller Federal demand and the private sector takes some time to expand under the impetus of lower interest rates.

The short-term growth reduction may be alleviated, though, by the abrupt fall in oil prices. Deficit-reduction will be easier on the economy with the oil price decline than without, since consumer and business incomes will be boosted. Higher income and profits will increase demand and offset some, if not all, of the demand contraction due to deficit reduction. Crude oil prices have declined below 1979 in nominal terms, with the price to U.S. refiners near $14 a barrel.

Growth This Year Will Be Faster

In light of late-1985 developments, growth will likely be somewhat faster than in 1985, with interest rates stabilizing around 6.5 percent for short-term rates and 9.5 percent for long-term. Inflation will remain low, probably below the 3.8 percent for 1985. The trade deficit should peak during the year and possibly begin declining towards yearend. With stronger production, unemployment may decline. This forecast is the most probable, but there are many factors upon which it depends.

For the oil price decline to give the maximum boost to the economy, it must last through the year, a likely but not certain circumstance. If, for example, political upheaval in the Middle East suddenly restricts oil supply, the economy could be caught between stringent fiscal policy and rising inflation.

Lower oil prices carry some negative aspects, too. Oil-producing nations, many of which are heavily in debt to oil-consuming nations, are already finding it difficult to meet their debt obligations. Continued falling oil prices will make their debt positions precarious. U.S. bank failures become more likely if energy development loans held by the banks become problem loans.

Agricultural Demand May Climb Slightly

From the perspective of this outlook for faster real GNP growth than in 1985, consumer expenditures for food should rise slightly faster than last year's 2.3 percent.

The price of farm production items (excluding interest and wage rates) fell 2.6 percent in 1985, and lower oil prices should continue the decline in 1986. A 25-percent lower oil price in 1986 could save the farm sector over a billion dollars.

Interest costs, the single largest component of farm production expenditures, will continue to moderate. Thus, domestic demand for U.S. farm products will likely be slightly greater and costs will fall. Despite this good news, though, domestic macroeconomic events in 1986 will not be sufficient to rescue troubled farmers. [*Ralph Monaco and James Malley (202) 786-1283*]

Upcoming Economic Reports

Title	Summary Released
Agricultural Resources	April 9
World Ag Supply & Demand	April 10
Middle East & North Africa	April 14
Cotton & Wool	April 15
Foreign Ag Trade of the U.S.	April 16
Agricultural Outlook	April 17
World Food Needs & Availabilities: Update	April 18
East Asia & Oceania	April 21

Transportation

OUTLOOK FOR 1986 COSTS & CAPACITY

Exports of coarse grains and soybeans from the United States in 1985/86 are now forecast at about 93 million metric tons, 18 percent below 1984/85. The existing fleet of 239,000 jumbo covered hopper cars, up 18 percent from 1980, should be more than adequate to meet demand.

During 1985, jumbo cars were loaded, on average, only 11 times per year because of sharply reduced demand. With increased utilization and a larger fleet, more than 59,000 cars of grain could be loaded per week in 1986, over twice last year's amount.

Box and Refrigerator Cars On the Decline

Supplies of boxcars and mechanical refrigerator cars continued to decline during 1985, falling 10 and 9 percent, respectively. Loadings of these car types also fell—boxcars by 7 percent and refrigerator cars by 12. These car types carry significant quantities of fresh and processed food and about one-third of the cotton shipped. The decline in boxcar numbers suggests that shippers of cotton may encounter spot car shortages in the West where cotton warehouses are near capacity. Shortages are most likely during the fourth quarter, at the peak of harvest and ginning.

During 1986, boxcar capacity and fleet size seem likely to decline at about the same rate. In 1985, capacity declined less than fleet size. No new boxcars have been installed since 1983 and none are on order. During 1985, twice as many flatcars (some of which are used for trailer-on-flatcar service) were retired as were added, and none are on order. In 1983-85, only 130 refrigerator cars were installed while 15,690 were retired, and none are on order. These declines, resulting from decreased demand for these cars, suggest that wholesalers of perishable foodstuffs are continuing to shift towards truck or TOFC shipments.

Prospects for increased trailer-on-flatcar (TOFC) shipments are especially good. Although the inventory of TOFC railcars is slightly diminished, substantial unused capacity is available. TOFC cars can carry two standard truck trailers. During 1985, only 1.6 trailers were carried on average. Approximately 1 million additional trailers (a 25-percent increase above 1985) could be carried with no increase in rail rolling stock.

Shippers distributing to the West Coast from central or eastern points should get favorable rates. Many van containers are unloaded from ocean vessels at West Coast ports for loading on trains to central and eastern cities. Ocean carriers report difficulty in obtaining backhauls to the West Coast, and are offering rate discounts for loads traveling west. Some cotton shippers have already taken advantage of this opportunity.

Rail Rates Up

Preliminary data from the Bureau of Labor Statistics show a mixed picture for rail rates charged for farm products, grain, and food products. Average rates for farm products in 1985 were nearly unchanged from the prior year.

In January 1986, however, rates rose 1 percent above the month before. The Interstate Commerce Commission had ruled earlier that all rail rates could be raised by 1.1 percent, to compensate for increases in labor and other costs. The railroads had requested a 1.5-percent increase.

Further cost increases are in the offing. The labor agreement between rail management and the United Transportation Union in October 1985 calls for six wage increases totaling 10.5 percent between November 1985 and January 1988. Partially offsetting these wage hikes are changes in work rules and reductions in basic pay for new employees. In addition, the number of firemen employed is to be reduced through attrition.

After falling for much of 1985, rail rates for grain hauling turned up in September and remained up in October. Preliminary estimates indicate that 1985 rates averaged about 1 percent below 1984, but rose nearly 3 percent between December 1985 and January 1986. It seems likely that revised data will show 1985 averaging the same or above 1984.

Rail rates for food products in 1985 appear to have averaged 1 percent above 1984, and increased nearly another 1 percent from December 1985 to January 1986.

These modest increases have come partly in reaction to upward cost pressure, but they also represent an attempt to counter declines in rail income. Through the first 9 months of 1985, operating revenues were down 6.2 percent, with operating expenses down only 4 percent from year-earlier levels.

Barge Volume and Rates Down

A large share of the grains and oilseeds shipped by barge is destined for export. As U.S. exports have fallen off, barge loadings of grain have declined precipitously. During 1985, loadings averaged 31.8 million bushels per week, 14 percent below the prior year and 22 percent below record-setting 1982.

With exports for 1985/86 forecast below 1984/85, barge volume can be expected to fall further, and the overcapacity problem that has plagued barge operators since 1982 will continue. Barge rates are subject to severe fluctuations, but they are expected to average at or slightly below 1985.

Ocean Freight Overcapacity Remains

Ocean freight rates for grain during 1985 averaged below 1984's low levels and declined further in the first 6 weeks of 1986. The carrying capacity surplus which has characterized the 1980's promises to continue. The world merchant fleet decreased about 3 percent during 1985, but continuing rate declines indicate that a very substantial overcapacity remains. Therefore, ocean rates will probably remain somewhat below 1985.

Canada has proposed a 15-percent increase in tolls on the Welland Canal, which links Lake Erie and Lake Ontario. Most U.S. exports through Great Lakes ports must go through the Welland Canal. The proposed increase would amount to about 1.4 cents per bushel for a 25,000 metric ton grain cargo, putting Great Lakes shippers at a further disadvantage.

Truck Insurance Costs Climb

By the end of 1985, higher fuel and insurance charges had raised operating costs for trucks carrying fresh produce more than 4 cents per mile above January 1985, according to the USDA Office of Transportation. The sharp increases commenced in July, but for the year, average costs were up less than 1 cent per mile from 1984.

Fuel costs began to decline in 1986. Between January 27 and March 3, the Interstate Commerce Commission reported diesel fuel prices fell from 127.6 cents per gallon to 110.1. Declining world oil prices indicate that diesel fuel may continue to drop.

Insurance costs, however, seem likely to keep climbing. During 1985, truck insurance costs increased 10 percent, to 8.5 cents per mile. In January 1986, insurance rose to 8.6 cents. A continuation of this trend would result in a 25-percent increase over 2 years. Even sharper hikes seem likely.

The Motor Carrier Act of 1980 requires all truckers to carry liability insurance coverage for "environmental restoration." Spokesmen for the insurance industry state that they do not know what the term means, and fear that the risks associated with this coverage could be quite large.

Under the terms of the act, required coverage on January 1, 1985, rose from $500,000 to $750,000 for all carriers and from $1 million to $5 million for haulers of hazardous materials. Insurance companies apparently did not take notice of this until late in the year. Since anhydrous ammonia (the chief form of nitrogen fertilizer used by farmers) is deemed hazardous, fertilizer transportation is likely to be significantly affected.

Reportedly, some insurance companies have already refused coverage for haulers of hazardous materials. The 50-percent increase in required coverage is likely to result in rising costs for other truckers as well. The Interstate Commerce Commission has already revoked the operating authority of 3,400 regulated carriers for failure to carry adequate insurance.

Truck Rates May Rise To Cover Costs

Rates for shipping fresh produce did not react to rising truck costs during 1985. For example, rates for lettuce trucked from California to New York City averaged 3 cents per box below 1984. Much of the decrease can be attributed to the continued expansion in the truck fleet. An estimated 19,900 refrigerated trailers entered the fleet during 1985, only 3,000 less than 1984's record. The unit cost of these trailers was approximately equal to those added in 1984, so average vehicle depreciation costs were unchanged.

During January-March 1986 produce rates increased slightly over the same months of 1985. Given the cost-price squeeze which has confronted truckers for some time, produce rates in 1986 are likely to average somewhat above 1985.

Rates for processed foods will probably rise more than produce rates. Some regulated truckers and railroads have begun imposing insurance surcharges reflecting increased insurance costs, and the practice is likely to spread. [*T.Q. Hutchinson (202) 786-1864*]

Agricultural Policy

TECHNICAL CORRECTIONS TO 1985 FARM BILL

The 1985 farm bill has been amended twice. Below are summaries of provisions affecting crop programs:

50/92.—Underplanted acreage may be devoted to conserving uses or, if the Secretary permits, planted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, or rye. The Secretary of Agriculture may also allow: planting of crops for which no significant domestic market exists but which could yield industrial products now being imported or planting of experimental crops. Producers who planted or contracted to plant a nonprogram crop on 50/92 acreage prior to February 26, 1986, may still harvest the crop. Haying and grazing on underplanted acres may be allowed at the option of State ASCS committees, unless the Secretary rules that this would have adverse economic impacts.

Yields.—USDA will make in-kind payments to producers to offset any reduction in 1986-crop program yields beyond 3 percent or any reduction in 1987-crop program yields beyond 5 percent from 1985.

Dairy.—The assessment of 40 cents per cwt scheduled to take effect April 1 will be increased no more than 12 cents per cwt. This will eliminate the need under Gramm-Rudman-Hollings to lower the milk support price.

Cross compliance.—Secretary now has discretion to require cross compliance for wheat and feed grains as well as for cotton and rice. It is not required for 1986, though.

Bases.—Bases for 1986 will be calculated as the average of acres planted and considered planted during 1981-85; these may exceed the 1984-85 average if planting occurred every year during 1981-85. [*Tom Fulton (202) 786-1780*]

Upcoming Crop Reporting Board Releases

The following list gives the release dates of the major Crop Reporting Board reports that will be issued by the time the May *Agricultural Outlook* comes off press.

April

1	Poultry Slaughter
2	Meat Animals - Prod. Disp., & Income
	Dairy Products
4	Celery
9	Vegetables
10	Crop Production
11	Turkey Hatchery
14	Potato Stocks
16	Milk Production
18	Poultry - Prod., Disp., & Income
21	Catfish
23	Eggs, Chickens, & Turkeys
25	Cattle on Feed
	Livestock Slaughter
	Cold Storage
28	Peanut Stocks & Processing
29	Grain Stocks
	Rice Stocks
30	Egg Products
	Agricultural Prices

How Will Gramm-Rudman-Hollings Affect Farm Programs?

The Balanced Budget and Emergency Deficit Control Act of 1985, better known by its authors' names as the Gramm-Rudman-Hollings (GRH) Act, sets maximum allowable Federal deficits for fiscal 1987 through 1991.[1] If Congress and the President cannot agree each year on a budget that comes within $10 billion of the GRH target, cuts in outlays occur automatically. Cuts are to be shared equally by defense and nondefense programs, but with some Federal programs exempted.

Cuts Prorated for 1986

Because fiscal 1986 started before GRH was passed, the cutting process is occurring in the middle of the year. For this reason, Congress established a dollar target, $20 billion, for 1986 reductions. Then, this target was prorated down based on the amount of time remaining in the year after the law's effective date. Thus, outlays are being trimmed $12 billion during the portion of fiscal 1986 left after GRH went into effect.

USDA's portion of the 1986 reduction is $1.3 billion. However, the 1986 cuts will take about $400 million out of 1987 spending, because price support programs straddle fiscal years. Current services outlays by USDA—actual spending assuming no changes in current laws—are currently expected to drop from $55.5 billion in fiscal 1985 to $54.7 billion in fiscal 1986. Without GRH, USDA outlays in 1986 would be about unchanged from 1985.

[1] Fiscal years begin October 1. Fiscal 1986 began October 1, 1985, and will end September 30, 1986.

The $0.9-billion drop in USDA spending resulting from GRH represents 1.6 percent of fiscal 1986 outlays. But much of the USDA budget is exempt from cuts, including many nutrition and low-income programs and also CCC outlays from prior-year obligations. Prior-year obligations consist mainly of 1985-crop deficiency payments not scheduled for payment until 1986. For example, deficiency payments on the 1985 corn crop are being mailed in March and April 1986. The time lag is due to the need for October-January market prices to calculate what the payment level should be for corn.

The reduction in CCC outlays will be allocated across programs equally on a prorated basis. Target prices, loan rates, and dairy price supports will not be lowered by GRH, and payments made in kind or by negotiable commodity certificates will not be reduced. Also, dairy herd buyout payments and annual rental payments for the conservation reserve will not be cut.

Cuts of 4.3 Percent For Some Program Payments

However, checks paid to farmers for commodity loans, 1986-crop advance and final deficiency and diversion payments, and payments for certificates that producers redeem for cash will each be reduced 4.3 percent. Reductions will be made after the $50,000 payment limit has been applied.

CCC payments for cheese, butter, and nonfat dry milk are being discounted, but legislation before the President would raise fees paid by dairymen between April 1 and September 30

Most of USDA Budget Exempt From Cuts

	Previous est.	Reduction FY 86	Reduction FY 87	Revised est.
		$ billion		
OUTLAYS SUBJECT TO FISCAL 1986 REDUCTIONS				
CCC programs for 1986 crops	18.9	.4	.4	18.1
Other USDA	10.2	.4		9.8
Total 1/	29.2	.9	.4	27.9
OUTLAYS EXEMPT				
Food stamps and Puerto Rico assistance				12.6
Child nutrition				3.9
Women's, Infants', Children's; Commodity Surplus Feeding				1.6
Other				3.5
OUTLAYS FROM PRIOR OBLIGATIONS				
CCC				15.0
Other				2.1
Total				38.7

1/ Total does not add because of rounding.

to achieve the same amount of deficit reduction. The maximum allowable increase in fees is $0.12 per cwt of milk.

The GRH reduction of 4.3 percent is calculated as a proportion of estimated outlays. For entitlement programs such as CCC loans or deficiency payments, actual outlays can vary with changes in commodity prices, yields, and numbers of farmers participating in the programs. Thus, it cannot be said with certainty how much less, in dollar figures, the CCC will spend in fiscal 1986 than it would have without GRH. However, whatever is finally spent on the 1986 programs will be 4.3 percent less than what would have been spent in the absence of Gramm-Rudman-Hollings.

Gross Cash Income Down Less Than 1 Percent

The estimated $800-million reduction in CCC outlays attributable to 1986 crops will lower gross cash income for the entire farm sector, forecast at $145-$149 billion for 1986, less than 1 percent; net cash income, forecast at $37-$41 billion, will fall about 2 percent from what it otherwise would have been.

The effects on individual grain, cotton, and dairy farmers (the groups that receive direct Government payments) could be more severe. If 1986-crop market prices at harvest fall because of the effective decline in loan rates, the net cash incomes of program-crop growers could be lowered about 10-15 percent. But, the net cash incomes of livestock and poultry producers could increase slightly because of lower grain prices.

It is not clear whether 1986-crop market prices will drop further in 1986/87 from the decline in loan rates received by farmers. Ratios of ending stocks to use in 1986 could remain high relative to ratios during the 1970's and early 1980's. In the past, high stocks-to-use ratios coincided with commodity prices near or below the loan rates, and that is occurring during the current season. However, the declines in announced wheat and feed grain loan rates for 1986 under provisions of the new farm bill are large enough that U.S. price supports for 1986 crops may already be lower than world-market clearing levels. Thus, the effective decline in price supports may not affect market prices.

The decline in loan rates received by farmers could slightly enhance domestic and export demand in 1986/87 for U.S. products. If commodity prices fall below the announced loan rates, the lower effective rates will help keep U.S. prices competitive in foreign markets. Even if commodity prices do not fall below the announced loan rates, the lower effective rates may still help curb foreign crop production.

1986 Price-Supports to Drop 4.3 Percent

	1985 actual	1986 before GRH	1986 after GRH 1/
Max. deficiency payment rates			
Wheat ($/bu.)	1.08	1.98	1.90
Corn ($/bu.)	0.48	1.11	1.07
Rice ($/cwt.)	3.90	4.70	4.52
Cotton ($/lb.)	0.237	0.26	0.25
	1985 actual	1986 ann.	1986 eff.
Loan rates 2/			
Wheat	3.30	2.40	2.30
Corn	2.55	1.92	1.84
Rice	8.00	7.20	6.89
Cotton	0.573	.55	.526
Payment limit	$50,000	$50,000	$47,850

1/ Includes advance deficiency payments in kind not subject to GRH cuts. 2/ Does not account for repayment rates. Particularly for rice and cotton, but also for wheat and feed grains, 1986-crop loans can, at Secretary's discretion, be repaid below the loan rates.

1986 Crop Net Returns to Fall Under GRH

	W/out GRH	With GRH
Corn example:		
Harvested acreage	80	80
Market return	$16,900	$16,200
Program benefits	$10,000	$9,600
Cash production costs	$17,600	$17,600
Returns minus cash costs	$9,300	$8,200
Change in returns minus cash costs	12%	

Other Cuts Affect SCS, ASCS Services

The $400-million cut in 1986 USDA outlays other than for the CCC are distributed across a variety of budget items. The Soil Conservation Service (SCS), Food Safety and Inspection Service (FSIS), and Agricultural Stabilization and Conservation Service (ASCS) will have to leave personnel vacancies unfilled and furlough employees for a few days during the year to meet the 1986 cuts.

Furloughs in ASCS will be implemented after program signup is complete. Cuts of 4.3 percent must be made in each county office. Cuts in the SCS budget mean that landowners will have to wait longer for technical assistance with soil and water conservation. Cuts in the FSIS budget will not disrupt meat and poultry slaughter, because inspectors will be furloughed on holidays when slaughter plants are not operating.

The 1986 GRH cut will reduce the commodities shipped under P.L. 480 by 250,000 to 300,000 metric tons. Export credit loan guarantees will be available for 1.5 million metric tons less. About $235 million less is available for farm loans this spring.

How Would GRH Work in 1987?

According to GRH, the deficit in fiscal 1987 must be down to $144 billion; in 1988, $108 billion; in 1989, $76 billion; in 1990, $36 billion; and in 1991, zero. No balanced budget is required after fiscal 1991 under the present law.

The President's proposed 1987 budget, submitted to Congress on February 5, 1986, meets the 1987 deficit target. Congress and the President have until August to agree to this or some other within-target budget before the Gramm-Rudman-Hollings process begins for the year. If a budget is enacted which meets the target, then no other reductions will be required. Thus, the material that follows covers the process and possible impacts of GRH cuts, but in no way is a projection that such cuts will be made.

Forecasts of future economic performance will have a significant impact on deficit projections. Current Services forecasts for the economy during fiscal 1987 indicate nominal GNP growth of 8.3 percent. Federal receipts are forecast at $844 billion, outlays at $1,026 billion, so the projected 1987 deficit is $182 billion.

If on August 15 the economy is forecast to grow slower or faster, the budget deficit estimate will increase or decline. A 2-percentage-point increase in the estimated growth of nominal GNP could lower the budget deficit estimate about $12 billion. A 1-percentage-point decline in the estimated rate of inflation (the Current Services estimate for fiscal 1987 is 4.1 percent) would cause the estimated deficit to fall about $3 billion. A 1-percentage point-drop in the unemployment rate (the Current Services estimate for fiscal 1987 is 6.6 percent) would shrink the deficit about $7 billion.

The size of the GRH spending reductions ultimately made in each program each year will be determined in steps. For example, the estimated Current Services budget deficit for fiscal 1987 exceeds the GRH targeted deficit by $38 billion. First, this amount would be divided evenly between defense and nondefense programs, resulting in cuts of $19 billion from each. Next, all of the year's cost-of-living adjustments (COLA's) for Federal Government and military retirees would be eliminated. COLA reductions for 1987 might total about $2 billion. Then, the remainder of the cuts would have to come from agency programs.

For defense to achieve the $18-billion cut still needed after $1 billion worth of COLA's were eliminated, every defense program, project, or activity would have to be reduced by an equal percentage. This percentage would be calculated as the needed cut—$18 billion in this example—divided by the total amount of defense funds eligible for reduction.

Reductions are applicable only to current year budget authority and (for defense only) to unused funds carried over from previous fiscal years. This means that contracts granted in previous years with funds that must come from current budget authority are, in general, off limits to automatic cuts. In 1986, nearly 40 percent of defense outlays qualified for this exemption, leaving the other 60 percent of defense program funds to bear any reductions.

The rules are slightly different for nondefense program cuts. Social Security, net interest on the Federal debt, food stamps, unemployment, veterans' compensation and pensions, Medicaid, Aid to Families with Dependent Children, Supplemental Security Income, other nutrition programs, and outlays resulting from obligations incurred in previous years are exempt.

Together, these programs account for about 68 percent of total nondefense spending in fiscal 1986. Some other specially treated programs, such as guaranteed student loans, Medicare, veterans' health benefits and other health programs, are

Government Outlays to Rise, Even Under Gramm-Rudman-Hollings

	1985 Actual	1986 1/ Current services before GRH	1986 1/ Current services after GRH	1986 1/ Proposed Reagan budget	1987 1/ Current services before GRH	1987 1/ Current services after 1987 GRH 2/	1987 1/ Proposed Reagan budget
				$ billion			
Receipts	734.1	774.9	776.5	777.1	844.1	844	850.4
Outlays	946.3	994.9	982.0	979.9	1,025.9	988	994.0
Defense	252.7	271.7	265.8	265.8	284.9	267 3/	282.2
USDA	55.5	55.6	54.7	54.2	50.0	45 4/	44.6
Price support	17.7	20.7	20.4	20.4	16.4	14	16.4
Food programs	18.4	18.8	18.8	18.7	19.2	19 5/	18.1
Other USDA	19.4	16.1	15.5	15.1	14.4	12	10.1
Other nondefense	638.1	667.6	661.5	659.9	691.0	676	667.2
Deficit	(212.3)	(220.1)	(205.6)	(202.8)	(181.8)	(144)	(143.6)

1/ Current services represents the Office of Management and Budget's February 1986 estimate of receipts and outlays in fiscal years 1986 and 1987 given a continuation of current laws. 2/ Estimated from February 1986 current services budget. 3/ Cut by 10 percent. For the uniform reduction percentage calculation see table titled "Without Congressional Budget Action...." 4/ Each item in the USDA budget excluding food programs was cut 17 percent. For the uniform reduction percentage calculation, refer to table titled "Without Congressional Budget Action...." 5/ Exempt.

How the Federal Budget Process Works

The process of preparing the Federal budget normally begins about 18 months before the start of the fiscal year. It goes through two distinct periods—executive preparation and the Congressional budget process—each lasting about 9 months.

Preparation of the President's budget consists of four phases. In the first phase, the Office of Management and Budget (OMB) issues preliminary budget targets and policy directions, and agencies within each department (USDA, Treasury, State, etc.) plan their budgets. Second, agencies submit requests to their department heads and receive specific guidance back from the departments. In the third phase, the departments bargain with OMB over programs and amounts to be included in the President's budget. Finally, a budget is prepared for the President to send to Congress.

The Congressional part of the process begins after the President sends a budget proposal to Congress. There is a timetable for Congressional action, and Congress must establish targets for income and expenditures (outlays) as well as budget authority. Congress must enumerate the deficit in the budget being considered.

This budget process has been in effect for over a decade. However, as budget decisions have become more difficult, it has been harder for Congress to reach decisions on budget levels for specific programs. This inability to reach decisions has created an impasse. Members of Congress agree that the total budget must be reduced, but often disagree on which specific programs should be cut.

The intent of Gramm-Rudman-Hollings is to overcome this impasse by establishing deficit reduction targets and making automatic cuts if Congress fails to reach these targets. Thus, if the President and Congress are unable to agree on what programs to cut, an automatic administrative process takes over and makes uniform reductions to all nonexempt programs.

The deficit-reduction targets in GRH are stated in terms of outlays rather than budget authority because the deficit is determined by the excess of outlays (or expenditures) over Government income. But, the reductions are taken from agency budget authorizations because they later become outlays. Since there is often a delay between the time an obligation is made against budget authority and the time an outlay is made, budget authority must be cut by a larger amount than outlays to control cash spending during a given period. That is why a $12 billion reduction in outlays in fiscal 1986 required a reduction of $19 billion in budget authority.

A Federal district court ruled in February that the provision calling for the Comptroller General to order the President to make automatic reductions is unconstitutional. If the Supreme Court upholds the lower court decision when arguments are presented in April, then the "automatic" GRH reductions could take effect only if Congress voted for them each year. [*Art Sauer (202) 447-8646*]

Some Budget Terms...

Appropriation act.—A law providing authority for Federal agencies to incur obligations. An appropriation act specifies the amount of budget authority available.

Budget authority.—Authority to enter into obligations that will result in outlays.

Entitlements.—Payments of benefits which must be made to any person who meets the legal eligibility requirements.

Loan guarantee.—An agreement that pledges the Government to pay all or part of a loan in the event of a default by the borrower. If the Government must make a payment on a guaranteed loan, the payment is an outlay. Otherwise, the loan guarantee does not affect budget outlays.

Obligation.—Orders placed, contracts awarded, services received, and similar transactions that will require Government payments.

Outlay.—Payment of an obligation.

Sequester.—Term used in Gramm-Rudman-Hollings Act referring to the percentage amount by which agencies must reduce outlays.

Spending authority.—A collective term covering appropriations, borrowing authority, contract authority, and entitlement authority not provided in advance by appropriation acts.

subject to a maximum program funding cut of 2 percent. These special programs account for 12 percent of total nondefense spending in fiscal 1986.

After the exemptions and limitations are accounted for, all remaining nondefense programs are reduced by a uniform percentage, calculated in the same manner as for defense, by dividing the remaining deficit overage by the available amount of eligible nondefense funding.

Potential Impact of 1987 Cuts

Based on the February current services estimates of 1987 receipts and outlays, GRH could reduce eligible defense programs 10 percent and eligible nondefense 17 percent in fiscal 1987. For each $10-billion change in the estimated Federal deficit, the cut for nondefense programs would rise or fall about 5 percentage points.

A 17-percent cut would reduce USDA outlays to about $45 billion. Price support programs would drop from about $16.4 billion (projected expenditures if the 1985 farm bill were fully implemented) to about $14 billion. A cut of that size would drop deficiency payment rates 17 percent. Effective loan rates would be reduced 17 percent from the announced loan rates. The effects on net farm income could be severe, although crop use would rise as consumers and the livestock industry paid lower prices for many program crops. [*James Malley (202) 786-1283, Ralph Monaco (202) 786-1283, Barbara Stucker (202) 786-1870, and Terry Townsend (202) 786-3313*]

Without Congressional Budget Action, Automatic Cuts Could Rise Steeply in 1987[1]

	Estimated outlays	
	Defense	Nondefense
	$ billion	
Total outlays	285	741
Outlays from obligated balances	108	641
Amount subject to across-the-board reductions	177	101
Total required reduction	19	19
Savings from eliminating automatic spending increases		
Indexed retirement & disability programs	1	1
Other indexed programs	(em	2/
Savings under special rules	(em	1
Remaining reduction required	18	17
Uniform reduction percentage 3/	10	17

1/ Calculations based on February 1986 Current Services budget. Actual calculations for fiscal 1987 would be based on forecasts as of August 1986. 2/ Less than $50 million. 3/ Remaining reductions divided by the cuts subject to across-the-board reductions.

Summary Data

Key statistical indicators of the food and fiber sector

	1984	1985					1986		
	Annual	I	II	III	IV F	Annual F	I F	II F	Annual F
Prices received by farmers (1977=100)	142	135	130	123	126	129	126	125	124
Livestock & products	146	143	135	129	136	136	138	138	138
Crops	138	125	125	117	115	121	113	112	110
Prices paid by farmers, (1977=100)									
Prod. items	155	154	152	150	149	151	149	147	147
Commodities & services, int., taxes, & wages	164	163	164	162	162	163	163	162	162
Cash receipts ($ bil.) 1/	141	140	134	134	157-159	140-142	134-138	124-128	130-134
Livestock ($ bil.)	73	72	67	68	72-74	69-71	68-72	66-70	68-72
Crops ($ bil.)	69	68	67	66	84-86	70-72	63-67	56-60	60-64
Market basket (1967=100)									
Retail cost	279	284	282	282	283	283	284	285	285-289
Farm value	255	250	237	229	236	238	235	235	235-239
Spread	293	304	309	313	310	309	312	314	311-316
Farm value/retail cost (%)	34	33	31	30	31	31	31	31	32
Retail prices (1967=100)									
Food	303	309	310	310	311	310	314	316	316-322
At home	292	298	297	296	297	297	300	301	300-306
Away-from home	333	341	346	349	351	347	353	358	357-364
Agricultural exports ($ bil.) 2/	38.0	8.9	6.7	5.6	7.8	31.2	7.0	6.0	28.0
Agricultural imports ($ bil.) 2/	18.9	5.5	5.0	4.6	4.9	19.7	5.5	5.0	21.0
Production:									
Red meats (mil. lb.)	23,418	9,521	9,861	9,929	9,809	39,120	9,535	9,283	37,795
Poultry (mil. lb.)	16,088	3,857	4,268	4,452	4,334	16,912	4,080	4,485	17,815
Eggs (mil. doz.)	5,708	1,430	1,408	1,408	1,441	5,687	1,415	1,410	5,700
Milk (bil. lb.)	135.5	33.7	37.5	36.8	35.6	143.7	36.2	5/	5/
Consumption, per capita:									
Red meats and poultry (lbs)	210.6	51.0	53.4	54.5	55.3	214.1	51.8	52.1	211.1
Feed grain beginning stocks (mil. tons) 3/	31.5	182.1	123.6	89.2	63.6	44.2	242.3	—	—
Feed grain use (mil. metric tons) 3/	219.2	58.7	34.6	46.2	74.9	126.3	—	—	—
Prices: 3/									
Choice steers--Omaha ($/cwt)	65.34	62.24	57.66	52.17	61.42	58.37	57-58	62-66	60-66
Barrows and gilts--7 mkts. ($/cwt)	48.86	47.32	43.09	43.62	45.05	44.77	42-43	43-47	43-49
Broilers--12-city (cts./lb.)	55.5	51.5	50.7	50.9	50.2	50.8	50-51	49-53	47-53
Eggs--NY Gr. A large (cts./doz.)	80.8	61.7	60.0	68.3	75.9	66.5	72-73	63-67	66-72
Milk--all at plant ($/cwt.)	13.45	13.67	12.50	12.17	12.60	12.73	12.30-12.50	5/	5/
Wheat--Kansas city HRW ($/bu.)	3.82	3.72	3.47	3.09	3.31	3.40	—	—	—
Corn--Chicago ($/bu.)	3.24	2.81	2.86	2.52	2.41	2.65	—	—	—
Soybeans--Chicago ($/bu.)	7.05	5.92	5.89	5.52	5.09	5.55	—	—	—
Cotton--Avg. spot mkt. (cts./lb.)	60.51	59.6	60.5	57.9	56.1	58.5	—	—	—

	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Gross cash income ($ bil.)	117.1	135.1	143.3	146.5	149.0	148.1	153.3	151-154	145-149
Gross cash expenses ($ bil.)	82.6	98.1	106.1	110.7	110.7	109.8	114.1	109-111	106-110
Net cash income ($ bil.)	34.6	37.0	37.2	35.8	38.3	38.3	39.2	41-44	37-41
Net farm income	27.4	31.7	20.2	29.8	24.6	15.0	34.5	29-32	21-25
Farm real estate values (1977=100)	109	125	145	158	157	148	146	128	—

1/ Quarterly data seasonally adjusted at annual rates. 2/ Annual data based on Oct.-Sept. fiscal years ending with year indicated. 3/ Calendar year quarters; feed year annual. Use includes exports and domestic disappearance. 4/ Simple averages. 5/ Projections not updated because of uncertainty of production adjustments resulting from Dairy Termination. F = Forecast.

Table 1.—U.S. Gross national product and related data

	Annual			1984	1985			
	1983	1984	1985 r	IV	I	II	III	IV r
	$ Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	3,401.6	3,774.7	3,989.1	3,852.5	3,917.5	3,960.6	4,016.9	4,061.5
Personal consumption expenditures	2,229.3	2,423.0	2,582.1	2,480.1	2,525.0	2,563.3	2,606.1	2,634.0
Durable goods	289.6	331.1	361.1	341.5	351.5	356.5	376.0	360.3
Nondurable goods	817.0	872.4	912.3	883.1	895.7	910.2	914.5	928.6
Clothing & shoes	135.2	147.4	156.1	149.7	152.8	156.3	155.7	159.9
Food & beverages	422.0	451.7	473.9	459.6	465.5	472.1	475.9	482.2
Services	1,122.7	1,219.6	1,308.8	1,255.4	1,277.8	1,296.6	1,315.6	1,345.1
Gross private domestic investment	501.9	674.0	668.6	676.2	657.6	672.8	666.1	678.0
Fixed investment	508.3	607.0	661.4	637.2	639.1	657.3	665.9	683.4
Change in business inventories	-6.4	67.1	7.2	39.0	18.5	15.5	0.2	-5.5
Net exports of goods & services	-5.3	-59.2	-76.9	-72.2	-42.3	-70.3	-87.8	-106.9
Government purchases of goods & services	675.7	736.8	815.3	768.4	777.2	794.8	832.5	856.5
	1982 $Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	3,277.7	3,492.0	3,571.0	3,515.6	3,547.8	3,557.4	3,584.1	3,594.8
Personal consumption expenditures	2,145.9	2,239.9	2,313.0	2,262.0	2,288.6	2,303.5	2,329.6	2,330.3
Durable goods	283.6	318.6	345.0	327.6	335.0	340.3	359.3	345.5
Nondurable goods	800.7	828.0	847.0	828.6	839.9	846.7	849.8	851.4
Clothing & shoes	132.7	142.8	147.0	142.9	145.0	147.4	146.9	148.5
Food & beverages	414.3	423.0	436.0	424.7	430.1	436.8	439.5	437.6
Services	1,061.7	1,093.3	1,121.0	1,105.8	1,113.7	1,116.5	1,120.4	1,133.5
Gross private domestic investment	503.4	661.3	648.6	659.9	639.6	655.6	645.0	654.2
Fixed investment	508.9	598.6	643.0	623.8	623.8	640.5	646.8	660.9
Change in business inventories	-5.5	62.7	5.6	36.1	15.8	15.1	-1.8	-6.7
Net exports of goods & services	-19.4	-85.0	-106.7	-100.2	-71.8	-101.1	-119.8	-134.0
Government purchases of goods & services	647.8	675.9	716.1	693.9	691.4	699.4	729.2	744.3
GNP implicit price deflator % change	3.8	4.1	3.3 p	3.7	3.0	3.3	2.9	3.3
Disposable income ($bil.)	2,425.4	2,670.2	2,800.7	2,723.8	2,739.2	2,817.7	2,800.2	2,845.6
Disposable income (1982 $bil.)	2,334.6	2,468.4	2,508.8	2,484.4	2,482.7	2,532.2	2,503.1	2,517.5
Per capita disposable income ($)	10,328 r	11,263 r	11,703 r	11,447 r	11,487 r	11,790 r	11,687 r	11,847 r
Per capita disposable income (1982 $)	9,942 r	10,412 r	10,484 r	10,441 r	10,411 r	10,595 r	10,447 r	10,481 r
U.S. population, total, incl. military abroad (mil.)	234.8	237.1	239.3	238.0	238.5	239.0	239.6	240.2
Civilian population (mil.)	232.6	234.9	237.0	235.7	236.2	236.8	237.4	237.9

	Annual			1985				1986
	1983	1984	1985 p	Jan	Oct	Nov	Dec	Jan
	Monthly data seasonally adjusted except as noted							
Industrial production (1977=100)	109.2	121.8	124.5	123.6	124.4	125.4	126.3	126.7
Leading economic indicators (1967=100)	156.0	165.7	168.7	166.3	171.2	171.5	174.0	173.0
Employment (mil. persons)	100.8	105.0	107.2	106.3	107.8	108.0	108.2	109.0
Unemployment rate (%)	9.6	7.5	7.2	7.4	7.1	7.0	6.9	6.7
Personal income ($ bil. annual rate)	2,836.4	3,111.9	3,293.4	3,217.3	3,330.0	3,346.6	3,385.5	3,382.7
Money stock-M2 (daily avg.) ($bil) 2/	2,188.8	2,373.7	2,563.9	2,399.9	2,538.3	2,550.6	2,565.5	2,569.3
Three-month Treasury bill rate (%)	8.63	9.58	7.49	7.76	7.17	7.20	7.07	7.07
Aaa corporate bond yield (Moody's) (%)	12.04	12.71	11.37	12.08	11.02	10.55	10.16	10.05
Housing starts (thou.) 1/	1,703	1,750	1,736	1,804	1,784	1,654	1,804	2,088
Auto sales at retail, total 1/ (mil.)	9.2	10.4	9.2	10.9	9.6	9.8	11.5	11.5
Business inventory/sales ratio	1.38	1.34	1.36	1.38	1.37	1.35	1.33 p	—
Sales of all retail stores ($ bil.)	97.9	108.1	114.8	111.0	114.9	115.4	117.4 p	117.5
Nondurable goods stores ($ bil.)	64.8	69.4	72.2	70.4	72.9	73.2	73.7 p	73.5
Food stores ($ bil.)	21.2	22.5	23.4	23.1	23.6	23.9	24.1 p	24.2
Eating & drinking places ($ bil.)	9.6	10.3	10.9	10.5	11.1	11.1	10.9 p	11.1
Apparel & accessory stores ($ bil.)	5.0	5.6	6.0	5.5	6.1	6.2	6.2 p	6.0

1/ Private, including farm. 2/ Annual data as of December of the year listed. p = preliminary. r = revised.

Table 2.—Foreign economic growth, inflation, and exports

	Average 1970-74	Average 1975-79	1980	1981	1982	1983	1984	1985 est.
Total foreign								
Real GNP	5.0	3.7	3.1	2.0	1.9	1.9	3.1	3.0
CPI	10.2	14	16.1	15.3	14.4	18.4	21.3	21.3
Export earnings 1/	27.5	14.6	22.6	-2.0	-7.7	-2.2	6.0	2.8
Developed less U.S.								
Real GNP	4.8	3.1	2.3	1.3	1.1	1.9	3.4	2.9
CPI	8.4	9.4	10.9	9.6	8.1	6.1	5.1	4.7
Export earnings 1/	23.9	14.9	17.0	-3.3	-4.2	-0.5	6.1	5.8
Centrally planned								
Real GNP	5.1	3.5	1.8	1.5	2.1	3.4	3.5	4.2
Export earnings 1/	19.4	16.1	16.4	3.4	6.0	8.2	-3.1	0.5
Latin America								
Real GNP	7.4	5.1	5.3	.7	-.5	-2.7	3.1	3.3
CPI	23.5	53.7	61.3	64.9	72.6	126.2	174.2	178.0
Export earnings 1/	28.1	12.8	30.1	4.4	-9.9	0	5.9	-3.3
Africa & Middle East								
Real GNP	8.9	6.5	1.3	0	1.4	.1	.4	-1.1
CPI	8.7	16.4	16.3	14.5	12.0	15.5	7.2	7.6
Export earnings 1/	49.6	43.0	38.5	-6.7	-20.1	-17.3	-4.7	-3.1
Asia								
Real GNP	6.0	6.8	6.3	6.6	3.6	6.6	5.7	4.1
CPI	13.0	8.4	16.4	14.1	7.3	7.7	8.7	6.6
Export earnings 1/	30.1	19.4	27.3	4.4	-.1	3.8	13.9	-2.9

1/ Percent change of earnings in dollars.

Table 3.—Indexes of prices received and paid by farmers, U.S. average

	Annual			1985					1986	
	1983	1984	1985 p	Feb	Sept	Oct	Nov	Dec	Jan	Feb p
					1977=100					
Prices received										
All farm products	135	142	129	135	121	123	127	128	124	121
All crops	128	139	121	124	112	111	116	118	113	109
Food grains	148	144	133	139	126	129	134	135	133	128
Feed grains & hay	143	145	122	129	111	105	109	113	114	112
Feed grains	146	148	122	129	110	104	108	113	114	111
Cotton	104	108	92	82	91	94	93	88	88	90
Tobacco	155	153	156	158	157	157	154	146	146	145
Oil-bearing crops	102	109	84	89	76	74	76	76	77	77
Fruit	128	203	187	180	186	192	196	178	160	153
Fresh market 1/	131	221	201	190	200	205	209	189	167	160
Commercial vegetables	130	135	130	139	115	113	135	178	138	113
Fresh market	129	133	125	137	105	103	130	186	133	104
Potatoes etc. 2/	123	157	125	137	95	93	91	89	88	91
Livestock & products	141	146	136	145	128	134	138	137	135	132
Meat animals	147	151	142	154	129	138	143	142	141	138
Dairy products	140	139	131	141	127	130	130	130	129	128
Poultry & eggs	118	135	119	113	127	123	133	131	122	116
Prices paid										
Commodities & services, interest, taxes, & wage rates	160	164	163	164	162	162	162	162	163	163
Production items	153	155	151	154	148	148	149	149	150	149
Feed	134	135	116	122	110	108	110	112	114	113
Feeder livestock	160	154	154	165	143	148	150	145	147	152
Seed	141	151	153	156	154	154	154	154	154	154
Fertilizer	137	143	135	139	135	130	130	128	128	128
Agricultural chemicals	125	128	128	129	128	128	128	128	128	128
Fuels & energy	202	201	201	192	203	202	205	206	203	188
Farm & motor supplies	152	147	146	148	145	144	144	144	145	145
Autos & trucks	170	182	193	189	193	193	199	199	198	197
Tractors & self-propelled machinery	174	181	178	182	174	174	174	174	174	174
Other machinery	171	180	183	183	184	184	184	184	184	184
Building & fencing	138	138	136	136	136	136	135	136	136	136
Farm services & cash rent	146	148	150	150	152	152	152	150	153	153
Interest payable per acre on farm real estate debt	250	251	242	242	250	250	250	242	237	237
Taxes payable per acre on farm real estate	129	132	133	133	135	135	135	133	136	136
Wage rates (seasonally adjusted)	148	151	154	154	154	150	150	150	150	150
Production items, interest, taxes, & wage rates	159	161	157	159	155	154	155	155	156	155
Prices received (1910-14=100)	614	650	587	616	551	561	581	585	567	552
Prices paid, etc. (Parity Index) (1910-14=100)	1,104	1,130	1,121	1,127	1,113	1,112	1,116	1,116	1,121	1,119
Parity ratio 3/	56	58	52	55	50	50	52	52	51	49

1/ Fresh market for noncitrus; fresh market and processing for citrus. 2/ Includes sweetpotatoes and dry edible beans. 3/ Ratio of index of prices received to index of prices paid, taxes, and wage rates. (1910-14=100).
p = preliminary.

Table 4.—Prices received by farmers, U.S. average

	Annual*			1985					1986	
	1983	1984	1985 p	Feb	Sept	Oct	Nov	Dec	Jan	Feb p
Crops										
All wheat ($/bu.)	3.58	3.46	3.20	3.38	3.01	3.09	3.23	3.25	3.19	3.07
Rice, rough ($/cwt.)	8.76	8.07	7.85	7.72	7.55	7.73	7.84	7.71	7.90	7.80
Corn ($/bu.)	2.99	3.05	2.49	2.62	2.29	2.12	2.20	2.29	2.33	2.29
Sorghum ($/cwt.)	4.89	4.60	3.98	4.10	3.28	3.30	3.47	3.76	3.69	3.58
All hay, baled ($/ton)	73.70	75.40	70.20	73.10	67.10	66.00	66.00	67.20	67.80	67.30
Soybeans ($/bu.)	6.73	7.02	5.42	5.77	4.99	4.85	4.92	5.00	5.16	5.13
Cotton, Upland (cts./lb.)	62.9	65.6	55.9	49.5	55.1	56.7	56.0	53.3	53.0	54.3
Potatoes ($/cwt.)	5.82	5.69	3.91	5.31	3.58	3.59	3.35	3.23	3.11	3.29
Lettuce ($/cwt.)	12.60	10.60	n.a.	10.50	11.80	9.92	13.30	26.20	11.80	8.42
Tomatoes ($/cwt.)	24.40	25.40	n.a.	37.40	19.00	22.10	32.60	43.30	34.20	20.60
Onions ($/cwt.)	13.90	11.80	n.a.	8.84	11.80	6.58	6.77	8.09	6.21	5.70
Dry edible beans ($/cwt.)	22.40	18.80	n.a.	19.20	16.60	16.80	17.50	17.30	17.40	17.20
Apples for fresh use (cts./lb.)	13.2	16.7	15.9	14.3	17.7	17.3	17.5	17.7	17.0	17.9
Pears for fresh use ($/ton)	216	300	339	350	258	332	374	357	348	350
Oranges, all uses ($/box) 1/	3.90	9.37	6.69	7.44	5.01	5.11	5.76	5.07	4.05	3.69
Grapefruit, all uses ($/box) 1/	2.08	3.19	4.40	3.23	6.07	4.01	3.19	3.71	3.70	3.72
Livestock										
Beef cattle ($/cwt.)	55.80	57.60	54.00	58.50	49.10	52.10	54.80	53.70	53.20	52.00
Calves ($/cwt.)	62.10	60.20	62.40	65.40	58.30	60.20	61.40	58.80	60.10	61.60
Hogs ($/cwt.)	46.20	47.60	43.90	48.30	39.70	43.10	43.20	45.30	44.30	43.50
Lambs ($/cwt.)	55.50	60.30	68.10	66.70	70.20	67.80	66.00	62.70	63.90	66.40
All milk, sold to plants ($/cwt.)	13.60	13.50	12.70	13.70	12.30	12.60	12.60	12.60	12.50	12.40
Milk, manuf. grade ($/cwt.)	12.63	12.54	11.77	12.60	11.40	11.70	11.70	11.70	11.60	11.50
Broilers (cts./lb.)	29.3	33.1	30.1	30.5	31.6	27.7	31.8	30.0	30.5	29.0
Eggs (cts./doz.) 2/	63.1	70.2	57.3	52.8	62.2	63.5	66.2	66.2	65.1	61.5
Turkeys (cts./lb.)	36.5	46.6	48.0	41.6	51.8	57.0	58.4	60.0	35.7	36.4
Wool (cts./lb.) 3/	61.5	76.5	67.0	65.3	61.3	70.1	56.6	57.9	54.3	55.8

1/ Equivalent on-tree returns. 2/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail. 3/ Average local market price, excluding incentive payments. *Calendar year averages, except for potatoes, lettuce, tomatoes, onions, and dry edible beans which are crop years. p = preliminary. n.a. = not available.

Producer and Consumer Prices

Table 5.—Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted)

	Annual	1985								1986
	1985	Jan	June	July	Aug	Sept	Oct	Nov	Dec	Jan
	1967=100									
Consumer price index, all items	322.2	316.1	322.3	322.8	323.5	324.5	325.5	326.6	327.4	328.4
Consumer price index, less food	323.3	316.3	323.6	324.2	325.0	326.2	327.4	328.5	328.9	329.5
All food	309.8	307.3	309.3	309.5	309.7	309.9	309.8	311.0	313.2	315.6
Food away from home	346.7	339.2	346.9	347.3	348.4	349.9	350.3	351.3	352.1	353.1
Food at home	296.8	296.1	296.0	296.2	295.9	295.6	295.3	296.6	299.3	302.5
Meats 1/	265.5	270.8	263.0	262.7	261.2	260.4	261.2	266.3	270.1	270.6
Beef & veal	269.7	276.4	267.4	264.7	261.8	261.1	263.2	270.8	277.8	275.7
Pork	253.1	258.5	248.6	253.1	253.8	252.1	249.9	254.0	254.7	259.3
Poultry	216.4	217.4	216.0	214.7	213.9	215.9	214.3	216.8	220.3	218.2
Fish	405.9	406.1	397.2	402.7	406.1	408.6	407.9	419.0	420.3	443.9
Eggs	174.3	161.3	158.5	168.4	171.0	185.7	187.4	190.8	196.7	194.4
Dairy products 2/	258.0	258.8	257.8	257.8	257.4	258.0	257.1	257.1	256.9	257.2
Fats & oils 3/	294.4	295.9	296.0	297.8	297.1	294.8	291.2	292.1	290.3	292.1
Fresh fruit	361.8	341.5	380.8	370.0	375.9	368.5	358.5	336.3	335.8	350.8
Processed fruit	168.2	165.2	168.9	169.3	169.6	169.5	168.7	168.2	167.0	166.8
Fresh vegetables	317.5	324.5	309.5	317.9	301.4	286.7	288.1	300.0	338.3	362.3
Potatoes	324.6	331.5	399.4	384.9	331.8	283.3	260.0	257.6	260.1	267.9
Processed vegetables	147.7	147.1	148.4	148.6	149.0	148.2	147.5	147.1	147.1	147.5
Cereals & bakery products	317.0	312.4	317.3	317.3	318.5	319.2	318.9	319.9	321.9	322.0
Sugar & sweets	398.8	394.5	398.3	400.2	401.8	401.1	402.6	401.4	402.2	405.1
Beverages, nonalcoholic	451.7	449.4	451.5	448.2	449.6	452.8	454.1	451.7	448.8	459.7
Apparel commodities less footwear	188.1	181.9	186.3	184.1	187.3	192.6	194.0	193.6	191.1	186.3
Footwear	212.1	208.6	213.9	211.4	210.3	210.9	212.3	215.5	213.1	209.1
Tobacco products	328.5	321.0	324.8	330.0	331.5	332.8	334.4	334.7	337.4	342.7
Beverages, alcoholic	229.5	224.3	227.8	227.8	228.9	229.3	236.4	236.2	236.2	237.5

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter.

Table 6.—Producer price indexes, U.S. average (not seasonally adjusted)

	Annual			1985						1986
	1983	1984	1985 p	Jan	Aug	Sept	Oct	Nov	Dec	Jan
						1967=100				
Finished goods 1/	285.2	291.1	293.8	292.1	293.5	289.9	294.8	296.7	297.2	296.2
Consumer foods	261.8	273.3	271.2	273.7	268.7	265.7	268.7	272.0	274.4	274.9
Fresh fruit	252.0	253.0	256.0	256.2	269.9	249.6	244.0	261.1	270.1	246.8
Fresh & dried vegetables	248.9	278.3	245.3	242.3	234.9	210.3	206.4	202.8	244.8	244.0
Dried fruit	409.9	386.6	362.7	359.0	362.2	369.1	368.9	369.2	369.3	369.3
Canned fruit & juice	286.8	312.4	323.1	319.8	327.7	324.3	321.1	315.9	314.2	314.2
Frozen fruit & juice	300.9	351.4	363.1	361.5	362.2	358.9	353.6	345.4	341.3	325.5
Fresh veg. excl. potatoes	210.0	219.1	205.9	187.4	212.3	189.0	178.1	173.2	220.4	220.0
Canned veg. and juices	247.1	252.6	246.9	251.8	252.2	243.7	245.1	239.1	238.4	241.1
Frozen vegetables	283.6	291.0	298.4	295.3	299.0	299.0	299.4	298.6	298.8	298.6
Potatoes	319.8	397.7	304.3	353.4	222.2	208.2	237.7	241.9	264.7	263.2
Eggs	n.a.	210.8	171.0	141.9	168.9	188.3	191.1	195.2	200.0	191.6
Bakery products	285.9	299.1	313.5	308.8	315.9	317.1	317.9	317.8	319.3	321.2
Meats	236.4	236.8	227.5	237.1	221.0	213.6	224.9	231.7	232.7	229.5
Beef & veal	236.3	237.1	220.1	234.5	204.1	200.7	214.5	225.8	224.5	219.9
Pork	227.5	226.5	224.0	231.4	229.5	213.1	227.4	228.2	233.2	231.2
Poultry	185.3	206.0	197.5	198.9	195.1	201.4	199.2	209.9	204.9	192.0
Fish	445.2	476.0	492.1	508.6	461.5	466.4	486.3	544.1	556.4	567.4
Dairy products	250.6	251.7	249.4	255.3	246.9	246.2	245.5	246.2	246.2	245.9
Processed fruits & vegetables	277.4	294.3	296.7	296.6	299.9	295.0	294.7	290.0	288.8	286.8
Shortening & cooking oils	254.7	311.6	290.5	301.3	283.6	271.2	262.6	264.8	262.4	262.3
Consumer finished goods less foods	291.4	294.1	297.4	294.3	297.8	294.5	299.4	301.1	301.1	298.8
Beverages, alcoholic	205.0	209.8	213.0	209.9	213.6	214.4	215.4	215.9	215.8	216.2
Soft drinks	327.4	340.2	344.2	344.9	339.5	338.6	346.6	339.2	341.0	341.9
Apparel	197.4	201.3	204.2	202.7	204.8	204.6	205.1	204.9	205.1	204.9
Footwear	250.1	251.7	256.8	252.8	258.1	258.9	259.6	259.2	258.9	259.7
Tobacco products	365.4	398.4	428.2	420.1	436.0	436.0	435.8	435.7	435.5	451.0
Intermediate materials 2/	312.3	320.0	318.7	319.5	317.9	317.7	317.8	318.1	318.8	317.2
Materials for food manufacturing	258.4	271.1	258.7	265.2	253.0	249.9	252.3	253.6	253.0	252.4
Flour	186.2	185.2	183.1	185.8	176.3	178.1	180.8	183.8	183.9	182.6
Refined sugar 3/	172.1	173.5	165.6	168.9	165.2	165.1	163.7	163.0	162.9	165.7
Crude vegetable oils	194.2	262.2	219.4	223.9	190.5	184.6	180.5	168.5	163.4	164.8
Crude materials 4/	323.6	330.8	306.2	318.9	295.3	296.8	298.0	305.6	304.7	301.3
Foodstuffs & feedstuffs	252.2	259.5	235.0	250.7	221.0	222.9	224.5	236.7	236.8	231.4
Fruits & vegetables 5/	262.1	278.1	260.5	259.0	261.2	238.2	233.5	239.6	266.9	255.8
Grains	240.4	239.7	202.7	217.5	185.1	181.1	176.3	191.5	195.6	193.4
Livestock	243.1	251.8	229.7	247.4	211.6	198.5	226.2	238.5	237.9	231.0
Poultry, live	206.5	240.6	226.2	232.7	216.0	244.5	225.2	254.8	235.2	212.8
Fibers, plant & animal	227.0	228.4	197.8	204.5	194.5	191.1	191.3	189.8	186.6	196.3
Milk	282.0	278.3	264.6	284.6	255.1	255.9	256.0	257.3	255.2	253.1
Oilseeds	245.3	253.3	202.7	214.9	190.1	187.3	175.7	194.1	193.2	195.0
Tobacco, leaf	274.2	274.6	274.1	284.5	259.6	276.4	275.9	271.0	257.2	243.9
Sugar, raw cane	315.9	312.0	291.2	297.8	296.3	288.5	272.8	267.0	272.6	283.2
All commodities	303.1	310.3	308.8	309.5	307.3	305.9	308.0	309.7	310.2	309.0
Industrial commodities	315.7	322.6	323.9	322.9	323.7	322.2	324.4	325.0	325.2	324.0
All foods 6/	257.5	269.2	264.6	267.8	261.4	258.1	260.6	264.4	266.8	266.9
Farm products & processed foods & feeds	253.9	262.4	250.5	257.6	244.0	243.0	245.3	251.0	252.1	250.9
Farm products	248.2	255.8	230.4	243.2	218.0	218.8	219.5	230.1	231.6	226.2
Processed foods & feeds	255.9	265.0	260.5	264.4	257.3	255.3	258.4	261.5	262.3	263.5
Cereal & bakery products	261.0	270.5	279.7	276.6	280.0	281.1	282.2	282.2	283.0	284.0
Sugar & confectionery	292.8	301.2	291.1	293.5	291.4	290.1	286.6	285.6	286.1	291.9
Beverages	263.6	273.1	276.7	275.9	275.1	275.1	277.7	276.4	278.7	287.8

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. (Dec. 1977 = 100). 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). (1977 = 100). n.a. = not available.

Table 7.—Farm-retail price spreads

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Market basket 1/										
Retail cost (1967=100)	268.7	279.3	282.6	282.1	281.6	281.0	280.5	282.1	285.4	287.3
Farm value (1967=100)	242.3	255.4	237.1	249.8	226.2	221.7	225.8	237.5	242.8	233.7
Farm-retail spread (1967=100)	284.3	293.3	309.3	301.1	314.1	315.9	312.7	308.3	310.5	318.8
Farm value/retail cost (%)	33.4	33.9	31.1	32.8	29.8	29.2	29.8	31.2	31.5	30.1
Meat products										
Retail cost (1967=100)	267.2	268.1	265.5	270.8	261.2	260.4	261.2	266.3	270.1	270.6
Farm value (1967=100)	235.8	241.5	221.8	242.9	202.3	196.9	209.5	226.4	233.5	227.6
Farm-retail spread (1967=100)	304.0	299.1	316.6	303.4	330.2	334.8	321.7	313.0	312.9	321.0
Farm value/retail cost (%)	47.6	48.6	45.1	48.4	41.8	40.8	43.3	45.9	46.6	45.4
Dairy products										
Retail cost (1967=100)	250.0	253.2	258.0	258.8	257.4	258.0	257.1	257.1	256.9	257.2
Farm value (1967=100)	262.1	258.8	248.3	265.7	243.6	240.1	241.4	238.8	238.0	237.9
Farm-retail spread (1967=100)	239.3	248.3	266.5	252.8	269.6	273.8	271.1	273.2	273.5	274.1
Farm value/retail cost (%)	49.0	47.8	45.0	48.0	44.2	43.5	43.9	43.4	43.3	43.2
Poultry										
Retail cost (1967=100)	197.5	218.5	216.4	217.4	213.9	215.9	214.3	216.8	220.3	218.2
Farm value (1967=100)	213.0	249.9	234.9	245.3	227.8	249.0	234.9	259.2	251.8	219.7
Farm-retail spread (1967=100)	182.4	188.1	198.4	190.4	200.4	183.8	194.4	175.7	189.8	216.7
Farm value/retail cost (%)	53.1	56.3	53.4	55.5	52.4	56.7	53.9	58.8	56.2	49.5
Eggs										
Retail cost (1967=100)	187.1	209.0	174.3	161.3	171.0	185.7	187.4	190.8	196.7	194.4
Farm value (1967=100)	206.1	230.3	178.9	153.8	180.6	199.0	204.5	216.1	215.7	208.3
Farm-retail spread (1967=100)	159.5	178.2	167.6	172.1	157.2	166.5	162.6	154.3	169.1	174.3
Farm value/retail cost (%)	65.1	65.1	60.7	56.4	62.4	63.3	64.5	66.9	64.8	63.3
Cereal & bakery products										
Retail cost (1967=100)	292.5	305.3	317.0	312.4	318.5	319.2	318.9	319.9	321.9	322.0
Farm value (1967=100)	186.6	192.0	175.6	184.7	164.2	166.8	163.5	171.0	169.0	170.2
Farm-retail spread (1967=100)	314.0	328.7	346.3	339.2	350.4	350.7	350.5	350.7	353.6	353.4
Farm value/retail cost (%)	11.1	10.8	9.5	10.0	8.8	8.8	8.9	9.2	9.0	9.1
Fresh fruits										
Retail cost (1967=100)	303.6	345.3	383.5	361.5	400.5	391.3	382.5	359.5	358.4	373.6
Farm value (1967=100)	220.6	315.1	299.1	291.7	276.7	275.1	286.8	329.7	341.0	286.2
Farm-retail spread (1967=100)	340.8	358.9	421.4	392.9	456.1	443.5	425.5	372.9	366.1	412.8
Farm value/retail cost (%)	22.5	28.3	24.2	25.0	21.4	21.8	23.2	28.4	29.4	23.7
Fresh vegetables										
Retail costs (1967=100)	299.3	331.8	317.5	324.5	301.4	286.7	288.1	300.0	338.3	362.3
Farm value (1967=100)	267.4	298.7	256.7	250.2	289.4	210.4	183.3	208.7	286.3	257.3
Farm-retail spread (1967=100)	314.3	347.4	346.1	359.5	307.1	322.6	337.4	342.9	362.7	411.7
Farm value/retail cost (%)	28.6	28.8	25.9	24.6	30.7	23.5	20.4	22.2	27.1	22.7
Processed fruits & vegetables										
Retail cost (1967=100)	288.8	306.1	314.1	310.6	316.9	315.9	314.4	313.5	312.3	312.6
Farm value (1967=100)	300.5	343.5	378.5	371.2	383.6	377.9	381.0	379.4	358.5	345.0
Farm-retail spread (1967=100)	286.2	297.8	299.9	297.2	302.1	302.2	299.7	298.9	302.1	305.4
Farm value/retail costs (%)	18.9	20.3	21.8	21.7	21.9	21.7	22.0	21.9	20.8	20.0
Fats & oils										
Retail cost (1967=100)	263.1	288.0	294.4	295.7	297.1	294.8	291.2	292.1	290.3	292.1
Farm value (1967=100)	251.0	324.8	271.3	281.4	240.2	224.0	224.0	211.4	237.5	203.5
Farm-retail spread (1967=100)	267.8	273.8	303.3	301.2	319.0	322.0	317.0	323.2	310.6	326.2
Farm value/retail cost (%)	26.5	31.3	25.6	26.4	22.5	21.1	21.4	20.1	22.7	19.4

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Beef, Choice										
Retail price 2/ (cts./lb.)	238.1	239.6	232.6	239.7	225.5	223.6	224.2	229.9	236.9	236.9
Net carcass value 3/ (cts.)	145.4	147.6	135.2	147.0	119.8	121.4	136.0	148.8	147.7	138.6
Net farm value 4/ (cts.)	136.2	140.0	126.8	139.8	112.0	111.1	127.6	138.1	137.4	128.4
Farm-retail spread (cts.)	101.9	99.6	105.8	99.9	113.5	112.5	96.6	91.8	99.5	108.5
Carcass-retail spread 5/ (cts.)	92.7	92.0	97.4	92.7	105.7	102.2	88.2	81.1	89.2	98.3
Farm-carcass spread 6/ (cts.)	9.2	7.6	8.4	7.2	7.8	10.3	8.4	10.7	10.3	10.2
Farm value/retail price (%)	57	58	55	58	50	50	57	60	58	54
Pork										
Retail price 2/ (cts./lb.)	169.8	162.0	162.0	166.0	161.8	159.8	160.0	162.4	166.5	169.0
Wholesale value 3/ (cts.)	108.9	110.1	101.1	110.0	96.8	93.1	98.7	99.6	103.5	99.1
Net farm value 4/ (cts.)	76.5	77.4	71.4	78.0	69.8	64.3	70.5	70.6	75.3	72.9
Farm-retail spread (cts.)	93.3	84.6	90.6	88.0	92.0	95.5	89.5	91.8	91.2	96.1
Wholesale-retail spread 5/ (cts.)	60.9	51.9	60.9	56.0	65.0	66.7	61.3	62.8	63.0	69.9
Farm-wholesale spread 6/ (cts.)	32.4	32.7	29.7	32.0	27.0	28.8	28.2	29.0	28.2	26.2
Farm value/retail price (%)	45	48	44	47	43	40	44	43	45	43

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods. 2/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail cut prices from BLS. 3/ Value of carcass quantity equivalent to 1 lb. of retail cuts| beef adjusted for value of fat and bone byproducts. 4/ Market value to producer for quantity of live animal equivalent to 1 lb. of retail cuts minus value of byproducts. 5/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 6/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditure, Statistical Bulletin 713, ERS, USDA.

Table 7A.—Price Indexes of Food Marketing Costs

See the March 1985 issue.

Livestock and Products

Table 8.—U.S. meats supply and use

Item	Beg. stks	Production 1/	Imports	Total supply	Exports	Shipments	Military consumption	Ending stocks	Civilian consumption: Total	Civilian consumption: Per capita 2/	Primary market price 3/
	Million pounds 4/									Pounds	
Beef:											
1984	325	23,598	1,823	25,746	329	47	112	358	24,900	78.5	65.34
1985	358	23,723	2,071	26,152	328	48	115	317	25,344	79.1	58.37
1986 5/	317	22,775	2,125	25,127	375	60	100	300	24,382	75.4	60-66
Pork:											
1984	301	14,812	954	16,067	164	147	86	274	15,396	61.8	47.86
1985	274	14,803	1,128	16,205	128	129	72	229	15,647	62.1	43.77
1986 5/	229	14,482	1,100	15,811	120	140	80	275	15,196	59.7	43-49
Veal:											
1984	9	495	24	528	6	1	4	14	503	2.1	60.23
1985	14	515	20	549	4	1	7	11	526	2.2	62.42
1986 5/	11	481	20	512	4	0	7	7	494	2.1	61-67
Lamb and mutton:											
1984	11	379	20	410	2	3	0	7	398	1.5	62.18
1985	7	360	36	403	1	3	0	13	386	1.4	68.61
1986 5/	13	338	35	386	2	1	0	9	374	1.4	65-71
Total red meat:											
1984	646	39,284	2,821	42,751	501	198	202	653	41,197	143.6	n.a.
1985	653	39,401	3,255	43,309	461	181	194	570	41,903	144.5	n.a.
1986 5/	570	38,076	3,280	41,926	501	20	187	591	40,446	138.2	n.a.
Broilers:											
1984	21	13,011	0	13,032	407	145	34	20	12,426	52.9	55.6
1985	20	13,613	0	13,633	417	148	33	27	13,007	54.9	50.8
1986 5/	27	14,263	0	14,290	410	130	35	25	13,690	57.2	47-53
Mature chicken:											
1984	92	696	0	788	26	2	2	119	638	2.7	n.a.
1985	119	679	0	798	21	2	2	144	630	2.7	n.a.
1986 5/	144	649	0	793	20	4	1	110	658	2.8	n.a.
Turkeys:											
1984	162	2,685	0	2,847	27	7	13	125	2,676	11.4	74.4
1985	125	2,935	0	3,060	27	7	14	150	2,862	12.1	75.5
1986 5/	150	3,218	0	3,368	30	7	16	220	3,095	12.9	59-65
Total poultry:											
1984	275	16,392	0	16,667	460	153	49	264	15,741	67.0	n.a.
1985	264	17,227	0	17,491	464	156	50	321	16,500	69.6	n.a.
1986 5/	321	18,131	0	18,452	460	141	52	355	17,444	72.9	n.a.
Red meat & poultry:											
1984	921	55,676	2,821	59,418	961	351	251	917	56,938	210.6	n.a.
1985	917	56,628	3,255	60,800	925	337	244	891	58,403	214.1	n.a.
1986 5/	891	56,207	3,280	60,378	961	342	239	946	57,890	211.1	n.a.

1/ Total including farm production for red meats and federally inspected plus non-federally inspected for poultry. 2/ Retail weight basis. 3/ Dollars per cwt for red meat; cents per pound for poultry. 4/ Carcass weight for red meats and certified ready-to-cook for poultry. 5/ Beef, choice steers, Omaha 900-1,100 lbs.; Pork: barrows and gilts, 7 markets; veal farm price calves, lamb and mutton: choice slaughter lambs, San Angelo, broilers, wholesale 12-city average, turkeys, wholesale NY 8-16 lb. young hens. n.a. = not available.

Table 9.—U.S. egg supply and use

	Beg. stocks	Production	Imports	Total supply	Exports	Shipments	Military use	Hatching use	Ending stocks	Civilian consumption: Total	Civilian consumption: Per capita	Wholesale price*
	Million dozen											
1981	19.4	5,824.7	4.7	5,848.7	234.2	22.5	25.1	506.7	17.5	5,042.7	265.4	73.2
1982	17.5	5,801.9	2.5	5,821.8	158.2	26.7	22.4	505.6	20.3	5,088.6	265.1	70.1
1983	20.3	5,659.3	23.4	5,703.0	85.8	26.6	25.1	500.0	9.3	5,056.2	260.8	75.2
1984	9.3	5,708.2	32.0	5,749.5	58.2	27.8	17.6	529.5	11.1	5,105.3	260.9	80.9
1985 e	11.1	5,687.1	12.7	5,710.9	70.6	30.3	20.2	548.1	10.7	5,030.9	254.6	66.4
1986 f	10.7	5,700.0	8.0	5,718.7	62.0	23.0	20.0	550.0	10.0	5,053.7	253.0	66-72

* Cartoned Grade A Large eggs in New York. e = estimated. f = forecast.

Table 10.—U.S. milk supply and use[1]

Calendar year	Production	Farm use	Commercial Farm marketings	Commercial Beg. stocks	Imports	Total commercial supply	CCC net removals	Commercial Ending stocks	Commercial Disappearance	All milk price 2/
	Billion pounds									$/cwt
1980	128.4	2.4	126.1	5.4	2.1	133.6	8.8	5.8	119.0	13.05
1981	132.8	2.3	130.5	5.8	2.3	138.5	12.9	5.4	120.3	13.76
1982	135.5	2.4	133.1	5.4	2.5	141.0	14.3	4.6	122.1	13.59
1983	139.7	2.4	137.3	4.6	2.6	144.5	16.8	5.2	122.5	13.57
1984	135.5	3.1	132.4	5.2	2.7	140.4	8.6	4.9	126.8	13.45
1985 ●	143.7	2.6	141.1	4.9	2.8	148.8	13.2	4.6	131.0	12.73

1/ Milkfat basis. Totals may not add because of rounding. 2/ Delivered to plants and dealers; does not reflect deductions.

Table 11.—Poultry and eggs

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Broilers										
Federally inspected slaughter, certified (mil. lb.)	12,389	12,999	13,556	1,154.9	1,211.1	1,070.4	1,251.9	997.8	1,081.0	4/
Wholesale price, 12-city, (cts./lb.) 1/	49.4	55.6	50.8	52.8	50.1	52.2	48.3	53.7	48.7	51.7
Price of grower feed ($/ton)	223	233	198	218	192	189	181	182	186	191
Broiler-feed price ratio (lb.) 2/	2.6	2.8	3.0	2.8	3.0	3.3	3.1	3.5	3.2	3.2
Stocks beginning of period (mil. lb.)	22.3	21.2	19.7	19.7	30.1	29.3	27.7	28.5	27.6	26.9
Avg. weekly placements of broiler chicks, 19 States (mil.)	79.6	83.1	87.0	85.9	86.4	84.3	81.4	83.3	89.1	87.9
Turkeys										
Federally inspected slaughter, certified (mil. lb.)	2,563	2,574	2,793	157.8	300.4	286.3	341.2	281.7	205.5	4/
Wholesale price, New York, 8-16 lb. young hens (cts./lb.)	60.5	74.4	75.5	74.0	78.4	82.4	90.2	93.1	86.9	60.2
Price of turkey grower feed ($/ton)	247	245	212	216	211	209	207	212	213	209
Turkey-feed price ratio (lb.) 2/	3.0	3.8	4.5	4.8	4.6	5.0	5.5	5.5	5.6	3.4
Stocks beginning of period (mil.lb.)	203.9	161.8	125.3	125.3	304.7	387.8	444.5	484.0	208.2	156.7
Poults placed in U.S. (mil.)	181.8	190.0	197.8	15.4	15.4	10.8	12.2	12.7	14.4	17.2
Eggs										
Farm production (mil.)	68,169	68,230	68,407	5,950	5,688	5,548	5,759	5,662	5,878	5,855
Average number of layers (mil.)	276	278	277	284	273	275	278	280	280	281
Rate of lay (eggs per layer on farms)	247	245	247	20.9	20.9	20.2	20.7	20.2	21.0	20.9
Cartoned price, New York, grade A large (cts./doz.) 3/	75.2	80.9	66.4	61.5	69.8	73.5	73.8	77.8	76.1	73.3
Price of laying feed ($/ton)	204	206	182	189	178	177	175	178	179	181
Egg-feed price ratio (lb.) 2/	6.2	6.8	6.3	5.5	6.5	7.0	7.3	7.4	7.4	7.2
Stocks, first of month										
Shell (thou. cases)	34	13	31	31	30	20	22	23	28	24
Frozen (mil. lb.)	25.4	11.8	13.4	13.4	18.0	18.4	16.4	15.1	13.8	13.2
Replacement chicks hatched (mil.)	407	459	406	28.3	32.2	33.5	33.2	33.2	34.3	34.5

1/ 12-city composite weighted average beginning April 25, 1983. 2/ Pounds of feed equal in value to 1 dozen eggs or 1 lb. of broiler or turkey liveweight. 3/ Price of cartoned eggs to volume buyers for delivery to retailers. 4/ Not reported.

Table 12.—Dairy

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Milk prices, Minnesota-Wisconsin, 3.5% fat ($/cwt.) 1/	12.49	12.29	11.48	12.40	11.08	11.12	11.21	11.19	11.18	11.12
Price of 16% dairy ration ($/ton)	188	191	168	177	165	163	162	163	165	169
Milk-feed price ratio (lb.) 2/	1.45	1.42	1.51	1.58	1.47	1.51	1.56	1.55	1.53	1.52
Wholesale prices										
Butter, Grade A Chi. (cts./lb.)	147.3	148.8	141.1	141.5	140.7	141.2	141.6	139.5	139.1	138.7
Am. cheese, Wis. assembly pt. (cts./lb.)	138.3	138.0	127.7	136.5	124.2	124.3	124.3	123.7	123.8	123.8
Nonfat dry milk, (cts./lb.) 3/	93.2	90.9	84.0	91.0	80.9	80.8	80.6	80.5	80.4	80.4
USDA net removals										
Total milk equiv. (mil. lb.) 4/	16,813.7	8,637.0	13,174.1	1,374.8	755.0	718.7	732.0	640.8	833.5	1,979.9
Butter (mil. lb.)	413.2	202.3	334.2	49.9	11.9	13.3	18.2	12.5	21.5	70.6
Am. cheese (mil. lb.)	832.8	447.3	629.0	34.6	51.0	44.7	35.6	38.3	39.1	52.5
Nonfat dry milk (mil. lb.)	1,061.0	678.4	940.6	58.8	87.2	71.4	78.9	55.1	75.1	86.1
Milk										
Total milk production (mil. lb.)	139,672	135,450	143,667	11,291	12,388	11,857	12,058	11,564	11,968	12,176
Milk per cow (lb.)	12,585	12,506	13,031	1,044	1,116	1,065	1,080	1,035	1,070	1,091
Number of milk cows (thou.)	11,098	10,833	11,025	11,027	11,105	11,133	11,162	11,168	11,183	11,161
Stocks, beginning 4/										
Total (mil. lb.)	20,054	22,646	16,429	16,429	16,130	15,834	15,288	14,432	13,692	13,464
Commercial (mil. lb.)	4,603	5,234	4,937	4,937	5,528	5,250	5,038	4,934	4,705	4,590
Government (mil. lb.)	15,451	17,412	11,492	11,492	10,602	10,585	10,250	9,498	8,987	8,874
Imports, total (mil. lb.) 4/	2,616	2,741	2,777	213	213	246	306	287	299	n.a.
Commercial disappearance milk equiv. (mil. lb.)	122,474	126,805	131,043	9,677	11,926	11,404	11,538	11,247	11,351	n.a.
Butter										
Production (mil. lb.)	1,299.2	1,103.3	1,260.1	118.4	91.3	93.6	109.0	101.5	115.9	135.8
Stocks, beginning (mil. lb.)	466.8	499.4	296.5	296.5	280.7	264.6	247.0	231.6	206.9	205.5
Commercial disappearance (mil. lb.)	881.7	902.7	930.5	69.7	90.4	80.7	87.2	93.0	95.0	n.a.
American cheese										
Production (mil. lb.)	2,927.7	2,648.2	2,854.2	223.1	248.9	221.8	230.5	221.9	235.9	239.2
Stocks, beginning (mil. lb.)	981.4	1,161.5	960.5	960.5	941.1	946.3	933.1	883.3	865.6	850.2
Commercial disappearance (mil. lb.)	2,083.3	2,253.6	2,278.1	174.6	203.2	195.7	210.2	195.3	205.7	n.a.
Other cheese										
Production (mil. lb.)	1,891.8	2,025.5	2,154.7	167.5	175.8	182.4	198.8	190.4	199.5	186.7
Stocks, beginning (mil. lb.)	82.8	104.9	101.4	101.4	110.0	106.1	99.5	97.3	95.0	94.1
Commercial disappearance (mil. lb.)	2,134.3	2,310.9	2,444.7	181.4	202.6	215.2	233.6	221.7	231.7	n.a.
Nonfat dry milk										
Production (mil. lb.)	1,499.9	1,158.9	1,390.8	88.4	132.2	105.8	105.8	96.7	115.7	123.7
Stocks, beginning (mil. lb.)	1,282.0	1,405.2	1,247.6	1,247.6	1,106.4	1,068.7	1,032.2	1,034.9	1,042.7	1,011.1
Commercial disappearance (mil. lb.)	459.9	496.0	435.8	34.7	51.9	34.2	37.2	44.1	31.2	n.a.
Frozen dessert production (mil. gal.) 5/	1,224.2	1,229.1	1,243.1	79.5	126.7	106.5	97.3	81.1	79.7	82.9

1/ Manufacturing grade milk. 2/ Pounds of 16% protein ration equal in value to 1 pound of milk. 3/ Prices paid f.o.b. Central States production area, high heat spray process. 4/ Milk-equivalent, fat-basis. 5/ Ice cream, ice milk, and hard sherbet. n.a. = not available.

Table 13.—Wool

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
U.S. wool price, Boston 1/ (cts./lb.)	212	229	192	205	193	193	193	193	193	193
Imported wool price, Boston 2/ (cts./lb.)	248	241	197	226	196	194	197	190	193	204
U.S. mill consumption, scoured										
Apparel wool (thou. lb.)	126,729	128,982	107,344	9,480	7,640	10,523	8,568	8,931	9,093	12,732
Carpet wool (thou. lb.)	13,851	13,088	11,751	995	1,075	1,120	797	655	686	1,098

1/ Wool price delivered at U.S. mills, clean basis, Graded Territory 64's (20.60-22.04 microns) staple 2-3/4'' and up. 2/ Wool price delivered at U.S. mills, clean basis, Australian 60/62's, type 64A (24 micron). Duty since 1982 has been 10.0 cents.

Table 14.—Meat animals

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Cattle on feed (7-States)										
Number on feed (thou. head) 1/	8,316	8,006	8,635	8,635	6,404	6,155	6,461	7,582	7,892	7,860
Placed on feed (thou. head)	19,744	20,772	19,346	1,449	1,510	1,988	2,779	1,776	1,480	1,581
Marketings (thou. head)	18,701	18,785	18,989	1,782	1,670	1,603	1,573	1,380	1,401	1,740
Other disappearance (thou. head)	1,354	1,376	1,132	118	61	79	85	76	111	77
Beef steer-corn price ratio, Omaha (bu.) 2/	20.6	21.6	23.3	24.8	21.7	21.8	25.7	27.8	26.7	25.6
Hog-corn price ratio, Omaha (bu.) 2/	15.9	16.1	17.8	18.8	18.2	17.1	19.5	19.3	19.8	19.0
Market prices ($ per cwt.)										
Slaughter cattle:										
Choice steers, Omaha	62.37	65.34	58.37	64.35	51.94	51.29	58.02	63.30	62.94	59.69
Utility cows, Omaha	39.35	39.81	38.32	39.09	35.90	34.78	33.14	34.86	33.88	34.94
Choice vealers, S. St. Paul	72.97	63.95	58.28	52.00	58.59	60.00	60.00	55.00	45.94	45.00
Feeder cattle:										
Choice, Kansas City, 600-700 lb.	63.70	65.28	64.56	68.42	61.52	60.25	62.37	62.86	60.98	54.91
Slaughter hogs:										
Barrows & gilts, 7-markets	47.71	48.86	44.77	49.06	43.50	40.38	44.09	44.14	46.91	45.48
Feeder pigs:										
S. Mo. 40-50 lb. (per head)	34.03	39.12	37.20	41.39	34.17	31.11	36.49	31.67	28.65	30.96
Slaughter sheep & lambs:										
Lambs, Choice, San Angelo	57.40	62.18	68.61	65.12	71.69	69.75	67.25	64.17	59.33	65.81
Ewes, Good, San Angelo	16.85	20.90	34.02	37.25	32.50	33.62	30.25	32.83	36.67	34.69
Feeder lambs:										
Choice, San Angelo	54.87	61.02	85.91	72.31	74.34	76.50	81.65	87.92	84.67	77.90
Wholesale meat prices, Midwest										
Choice steer beef, 600-700 lb.	97.83	98.01	90.76	99.50	80.02	81.14	91.11	98.84	99.68	92.26
Canner & Cutter cow beef	78.48	74.70	74.13	76.26	74.02	70.23	68.12	68.37	67.08	69.71
Pork loins, 8-14 lb. 3/	—	96.36	91.51	97.69	93.77	89.44	97.85	100.34	90.00	95.43
Pork bellies, 12-14 lb.	60.58	60.08	59.50	67.50	54.17	51.40	52.09	58.63	51.73	61.27
Hams, skinned, 14-17 lb.	75.60	78.22	67.50	72.86	63.92	65.00	72.00	66.67	n.a.	64.44
Commercial slaughter (thou. head)*										
Cattle	36,649	37,570	36,289	3,278	3,215	2,998	3,242	2,812	2,924	3,330
Steers	17,486	17,474	16,906	1,523	1,519	1,397	1,408	1,238	1,293	1,515
Heifers	10,758	10,691	11,235	962	1,060	978	1,024	799	830	988
Cows	7,597	8,617	7,387	732	569	560	737	710	743	765
Bulls & stags	808	789	758	61	67	63	72	65	58	61
Calves	3,076	3,292	3,385	288	289	292	319	288	316	307
Sheep & lambs	6,619	6,758	6,179	557	517	497	571	476	505	518
Hogs	87,584	85,156	84,469	7,343	7,017	6,941	7,789	7,012	6,898	7,185
Commercial production (mil. lb.)										
Beef	23,058	23,410	23,548	2,066	2,122	1,985	2,109	1,812	1,853	2,139
Veal	429	477	498	42	41	42	46	42	46	46
Lamb & mutton	368	372	352	32	29	28	33	28	30	31
Pork	15,120	14,718	14,721	1,281	1,210	1,196	1,358	1,237	1,215	1,266

	Annual			1984		1985				1986
	1983	1984	1985	III	IV	I	II	III	IV	I
Cattle on feed (13-States)										
Number on feed (thou. head) 1/	10,271	9,908	10,653	8,700	9,000	10,653	9,688	8,670	7,937	9,694
Placed on feed (thou. head)	23,776	24,917	23,276	6,252	7,559	5,315	5,206	5,480	7,275	—
Marketings (thou. head)	22,548	22,540	22,857	5,684	5,507	5,907	5,787	5,969	5,194	5/ 5,810
Other disappearance (thou. head)	1,591	1,632	1,378	268	417	373	437	244	324	---
Hogs & pigs (10-States) 4/										
Inventory (thou. head) 1/	44,150	42,420	41,100	41,915	43,180	42,420	39,530	41,450	41,820	41,100
Breeding (thou. head) 1/	5,638	5,348	5,258	5,771	5,550	5,348	5,215	5,397	5,377	5,258
Market (thou. head) 1/	38,512	37,072	35,842	36,144	37,630	37,072	34,315	36,053	36,443	35,842
Farrowings (thou. head)	9,735	9,020	9,020	2,259	2,316	1,935	2,420	2,191	2,265	1/ 1,956
Pig crop (thou. head)	72,733	67,680	67,648	17,158	17,420	14,690	18,762	16,941	17,255	---

1/ Beginning of period. 2/ Bushels of corn equal in value to 100 pounds live-weight. 3/ Beginning January 1984 prices are for 14-17 lbs.; January 1986 prices are for 14-18 lbs. 4/ Quarters are Dec. of preceding year-Feb. (I), Mar.-May (II), June-Aug. (III), and Sept.-Nov. (IV). 5/ Intentions. *Classes estimated.

Table 15.—Supply and utilization[1, 2]

	Area			Yield	Production	Total supply 4/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 5/
	Set aside 3/	Planted	Harvested									
	Mil. acres			Bu/acre				Mil. bu				$/bu
Wheat												
1981/82	—	88.3	80.6	34.5	2,785	3,777	135	712	1,771	2,618	1,159	3.65
1982/83	5.8	86.2	77.9	35.5	2,765	3,932	195	713	1,509	2,417	1,515	3.55
1983/84*	30.0	76.4	61.4	39.4	2,420	3,939	369	742	1,429	2,540	1,399	3.53
1984/85*	18.6	79.2	66.9	38.8	2,595	4,003	410	743	1,424	2,578	1,425	3.38
1985/86*	18.8	75.6	64.7	37.5	2,425	3,862	325	750	900	1,975	1,887	3.00-3.20
	Mil. acres			lb/acre				Mil. cwt (rough equiv.)				$/cwt
Rice												
1981/82	—	3.83	3.79	4,819	182.7	199.6	6/ 9.0	59.6	82.0	150.6	49.0	9.05
1982/83	0.42	3.30	3.26	4,710	153.6	203.4	6/ 8.9	54.0	68.9	131.8	71.5	8.11
1983/84*	1.74	2.19	2.17	4,598	99.7	171.9	6/ 5.6	49.1	70.3	125.0	46.9	8.76
1984/85*	.79	2.83	2.80	4,954	138.8	187.2	6/ 8.0	52.4	62.1	122.5	64.7	8.06
1985/86*	1.16	2.52	2.50	5,437	136.0	202.7	6/ 6.0	54.0	57.0	117.0	85.7	7.75-8.75
	Mil. acres			Bu/acre				Mil. bu				$/bu
Corn												
1981/82	—	84.1	74.5	108.9	8,119	9,154	4,202	812	1,967	6,980	2,174	2.50
1982/83	2.1	81.9	72.7	113.2	8,235	10,410	4,522	898	1,870	7,290	3,120	2.68
1983/84*	32.2	60.2	51.5	81.1	4,175	7,297	3,736	973	1,865	6,574	723	3.25
1984/85*	3.9	80.5	71.9	106.7	7,674	8,401	4,117	1,065	1,838	7,020	1,381	2.65
1985/86*	5.4	83.3	75.1	118.0	8,865	10,248	4,100	1,120	1,625	6,845	3,403	2.30-2.50
	Mil. acres			Bu/acre				Mil. bu				$/bu
Sorghum												
1981/82	—	15.9	13.7	64.0	876	984	428	11	249	688	296	2.38
1982/83	0.7	16.0	14.1	59.1	835	1,131	507	10	214	731	400	2.52
1983/84*	5.7	11.9	10.0	48.7	488	888	381	10	246	637	251	2.84
1984/85*	.6	17.3	15.4	56.4	866	1,117	527	20	299	846	271	2.40
1985/86*	.9	18.3	16.7	66.7	1,113	1,384	575	20	275	870	514	2.10-2.30
	Mil. acres			Bu/acre				Mil. bu				$/bu
Barley												
1981/82	—	9.6	9.0	52.4	474	620	198	174	100	473	148	2.44
1982/83	0.4	9.5	9.0	57.2	516	675	241	170	47	458	217	2.22
1983/84*	1.1	10.4	9.7	52.3	509	733	283	169	92	544	189	2.50
1984/85*	.5	12.0	11.2	53.4	599	799	304	170	77	551	247	2.26
1985/86*	.7	13.1	11.6	51.0	589	844	300	170	25	495	349	1.90-2.10
	Mil. acres			Bu/acre				Mil. bu				$/bu
Oats												
1981/82	—	13.6	9.4	54.2	510	688	453	76	7	536	152	1.89
1982/83	0.1	14.0	10.3	57.8	593	749	441	85	3	529	220	1.49
1983/84*	.3	20.3	9.1	52.6	477	727	466	78	2	546	181	1.67
1984/85*	.1	12.4	8.2	58.0	474	689	433	74	1	509	180	1.69
1985/86*	.1	13.3	8.1	63.6	519	724	475	80	2	557	167	1.15-1.35
	Mil. acres			Bu/acre				Mil. bu				$/bu
Soybeans												
1981/82	—	67.8	66.4	30.1	2,000	2,318	7/ 93	1,030	929	2,052	266	6.04
1982/83	—	70.9	69.4	31.5	2,190	2,444	7/ 86	1,108	905	2,099	345	5.69
1983/84*	—	63.8	62.5	26.2	1,636	1,981	7/ 79	983	743	1,805	176	7.81
1984/85*	—	67.8	66.1	28.1	1,861	2,037	7/ 93	1,030	598	1,721	316	5.85
1985/86*	—	63.1	61.6	34.1	2,099	2,415	7/ 85	1,060	770	1,915	500	5.05-5.35
								Mil. lbs				¢/lb
Soybean oil												
1981/82	—	—	—	—	10,979	12,715	—	9,535	2,077	11,612	1,103	19.0
1982/83	—	—	—	—	12,041	13,144	—	9,858	2,025	11,883	1,261	20.6
1983/84*	—	—	—	—	10,872	12,133	—	9,588	1,824	11,412	721	30.6
1984/85*	—	—	—	—	11,468	12,209	—	9,917	1,660	11,569	632	29.5
1985/86*	—	—	—	—	11,723	12,365	—	9,900	1,350	11,250	1,115	17.0-20.0
								Thou. tons				$/ton
Soybean meal												
1981/82	—	—	—	—	24,634	24,797	—	17,714	6,908	24,622	175	183
1982/83	—	—	—	—	26,714	26,889	—	19,306	7,109	26,415	474	187
1983/84*	—	—	—	—	22,756	23,230	—	17,615	5,360	22,977	255	188
1984/85*	—	—	—	—	24,529	24,784	—	19,480	4,917	24,397	387	125
1985/86*	—	—	—	—	25,133	25,520	—	19,500	5,600	25,100	420	135-160

See footnotes at end of table.

Supply and utilization, continued

	Area						Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 5/
	Set aside 3/	Planted	Harvested	Yield	Production	Total supply 4/						
		Mil. acres		lb/acre				Mil. bales				¢/lb
Cotton 8/												
1981/82	--	14.3	13.8	542	15.6	18.3	--	5.3	6.6	11.8	6.6	54.0
1982/83	1.6	11.3	9.7	590	12.0	18.6	--	5.5	5.2	10.7	7.9	59.1
1983/84*	6.8	7.9	7.3	508	7.8	15.7	--	5.9	6.8	12.7	2.8	66.4
1984/85*	2.5	11.1	10.4	600	13.0	15.8	--	5.5	6.2	11.7	4.1	58.7
1985/86*	3.6	10.7	10.3	630	13.5	17.7	--	6.1	2.8	8.9	8.9	--

*March 10, 1985 Supply and Demand Estimates. 1/ Marketing year beginning June 1 for wheat, barley, and oats, August 1 for cotton and rice, September 1 for soybeans, and October 1 for corn, sorghum, soymeal, and soyoil. 2/ Conversion factors: Hectare (ha.) = 2.471 acres, 1 metric ton = 2204.622 pounds, 36.7437 bushels of wheat or soybeans, 39.3679 bushels of corn or sorghum, 45.9296 bushels of barley, 68.8944 bushels of oats, 22.046 cwt. of rice, and 4.59 480-pound bales of cotton. 3/ Includes diversion, PIK, and acreage reduction programs. 4/ Includes imports. 5/ Season average. 6/ Statistical discrepancy. 7/ Includes seed. 8/ Upland and extra long staple. Stock estimates based on Census Bureau data which results in an unaccounted difference between supply and use estimates and changes in ending stocks.

Table 16.—Food grains

	Marketing year 1/			1985						1986
	1982/83	1983/84	1984/85	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Wholesale prices										
Wheat, No. 1 HRW, Kansas City ($/bu.) 2/	3.94	3.83	3.74	3.76	3.03	3.07	3.15	3.35	3.42	3.32
Wheat, DNS, Minneapolis ($/bu.) 2/	3.95	4.21	3.70	3.47	2.87	2.97	3.01	3.42	3.45	3.38
Rice, S.W. La. ($/cwt.) 3/	18.00	19.38	17.98	18.00	17.50	17.50	17.50	17.50	17.50	17.50
Wheat										
Exports (mil. bu.)	1,509	1,429	1,424	109	90	77	89	87	72	75
Mill grind (mil. bu.)	656	694	675	57	61	60	65	63	56	n.a.
Wheat flour production (mil. cwt.)	292	308	301	25	27	27	29	28	25	n.a.
Rice										
Exports (mil. cwt, rough equiv.)	68.9	70.3	61.0	4.89	3.93	5.05	4.35	3.11	2.95	n.a.

	Marketing year 1/			1984			1985			
	1982/83	1983/84	1984/85	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec
Wheat										
Stocks, beginning (mil. bu.)	1,159	1,515	1,399	1,758	1,399	2,743	2,141	1,667	1,425.2	2,971.1
Domestic use:										
Food (mil. bu.)	616	643	650	102	212	167	165	105.5	222.8	177.0
Feed & seed (mil. bu.) 4/	318	469	504	31	395	59	44	0	335.6	14.4
Exports (mil. bu.)	1,509	1,429	1,424	226	645	374	266	139.1	326.6	247.3

1/ Beginning June 1 for wheat and August 1 for rice. 2/ Ordinary protein. 3/ Long-grain, milled basis. 4/ Feed use approximated by residual. n.a. = not available.

Table 17.—Feed grains

	Marketing year 1/			1985						1986
	1982/83	1983/84	1984/85	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Wholesale prices										
Corn, No. 2 yellow, Chicago ($/bu.)	2.93	3.41	2.74	2.79	2.50	2.31	2.26	2.46	2.50	2.51
Sorghum, No. 2 yellow, Kansas City ($/cwt.)	4.96	5.13	4.38	4.48	4.06	3.56	3.62	3.75	3.97	3.95
Barley, feed, Minneapolis ($/bu.)	1.76	2.48	2.09	1.98	1.46	1.40	1.41	1.49	1.60	1.57
Barley, malting, Minneapolis ($/bu.)	2.53	2.84	2.55	2.46	2.03	2.15	2.10	2.27	2.29	2.28
Exports										
Corn (mil. bu.)	1,870	1,865	1,838	209	92	81	126	211	179	166
Feed grains (mil. metric tons) 2/	54.0	55.7	56.0	6.2	2.9	2.8	3.9	5.9	4.8	4.7

	Marketing year 1/			1984			1985			
	1982/83	1983/84	1984/85	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec
Corn										
Stocks, beginning (mil. bu.)	2,174	3,120	723	3,251	2,145	723	5,864	3,966	2,856	1,381
Domestic use:										
Feed (mil. bu.)	4,522	3,736	4,117	580	553	1,693	1,150	619	655	1,600
Food, seed, ind. (mil. bu.)	898	973	1,065	187	383	235	202	205	423	255
Exports (mil. bu.)	1,870	1,865	1,838	340	487	606	548	307	377	516
Feed grains 2/										
Stocks, beginning (mil. metric tons)	68.2	97.3	31.5	104.3	70.6	44.2	182.1	123.6	89.2	63.6
Domestic use:										
Feed (mil. metric tons)	139.5	117.4	130.8	18.1	20.3	53.9	36.0	19.1	21.8	52.8
Food, seed, ind. (mil. metric tons)	27.9	29.8	32.4	6.1	11.2	7.1	6.3	6.7	12.3	7.5
Exports (mil. metric tons)	54.0	55.7	56.0	9.6	15.0	18.2	16.4	8.8	12.1	14.6

1/ October 1 for corn, sorghum, and feed grains; June 1 for oats and barley. 2/ Aggregated data for corn, sorghum, oats, and barley.

Table 18.—Fats and oils

	Marketing year 1/			1985						1986
	1982/83	1983/84	1984/85	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Soybeans										
Wholesale price, No. 1 yellow, Chicago ($/bu.) 2/	6.11	7.78	5.88	5.95	5.20	5.15	5.07	5.05	5.21	5.36
Crushings (mil. bu.)	1,108.0	983	1,030.5	94.5	77.5	76.5	94.3	96.6	100.8	99.6
Exports (mil. bu.)	905.2	740.3	600.7	70.3	26.3	31.5	55.4	79.6	94.1	84.7
Stocks, beginning	30.6	58.6	35.3	98.4	36.0	26.7	25.7	92.8	113.5	119.8
Soybean oil										
Wholesale price, crude, Decatur (cts./lb.)	20.6	30.55	29.50	28.01	24.08	22.54	20.71	20.62	21.39	20.63
Production (mil. lb.)	12,040.4	10,872.0	10,614.5	1,027.4	868.8	853.4	1,040.3	1,053.1	1,095.7	1,085.8
Domestic disap. (mil. lb.)	9,857.3	9,598	9,777.9	854.1	807.1	826.3	918.9	840.8	862.4	842.3
Exports (mil. lb.)	2,024.7	1,814	1,557.1	66.7	70.1	102.7	125.4	38.1	74.3	80.6
Stocks, beginning (mil. lb.)	1,102.5	1,261	720.5	777.1	724.2	715.7	640.1	636.1	810.4	969.4
Soybean meal										
Wholesale price, 44% protein, Decatur ($/ton)	187.19	188.21	117.08	135.20	121.40	130.60	138.30	142.50	145.00	153.25
Production (thou. ton)	26,713.6	22,756.2	22,729.1	2,226.4	1,831.6	1,800.6	2,218.1	2,287.7	2,379.9	2,343.8
Domestic disap. (thou. ton)	19,306.0	17,541.0	18,479.7	1,728.3	1,571.5	1,460.0	1,888.8	1,621.8	1,752.2	1,739.5
Exports (thou. ton)	7,108.7	5,436.1	4,504.8	515.3	364.4	411.7	397.8	615.1	638.5	590.3
Stocks, beginning (thou. ton)	175.2	474	255.4	336.8	562.5	458.0	386.9	318.4	369.2	358.4
Margarine, wholesale price, Chicago (cts/lb.)	41.1	46.3	55.4	51.50	52.00	49.10	45.69	44.75	43.55	43.99

1/ Beginning September 1 for soybeans; October 1 for soymeal and oil; calendar year for margarine. 2/ Beginning April 1, 1982, prices based on 30-day delivery, using upper end of the range.

Table 19.—Cotton

	Marketing year 1/			1985						1986
	1982/83	1983/84	1984/85	Jan	Aug	Sept	Oct	Nov	Dec	Jan
U.S. price, SLM, 1-1/16 in. (cts/lb.) 2/	63.1	73.1	60.5	60.0	57.9	56.4	56.1	56.0	56.3	58.4
Northern Europe prices:										
Index (cts./lb.) 3/	76.7	87.6	69.2	71.4	57.0	53.4	49.0	48.0	51.8	51.8
U.S. M 1-3/32" (cts./lb.) 4/	78.0	87.1	73.9	74.7	68.2	67.9	68.6	67.7	69.1	69.1
U.S. mill consumption (thou. bales)	5,512.8	5,883.5	5,517.3	418.2	480.1	589.1	516.4	500.2	509.4	624.2
Exports (thou. bales)	5,206.8	6,786.0	6,201.3	835.6	206.9	200.3	218.0	234.7	196.0	n.a.
Stocks, beginning (thou. bales)	6,632	7,937	2,775	9,212	4,102	3,981	5,035	8,056	11,203	12,797

1/ Beginning August 1. 2/ Average spot market. 3/ Liverpool Outlook "A" Index; average of five lowest priced of 10 selected growths. 4/ Memphis territory growths. n.a. = not available.

Table 20.—Fruit

	Calendar years											
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Citrus												
Production (thou. ton)	14,586	14,788	15,242	14,255	13,329	16,484	15,105	12,057	13,608	10,789	10,460	11,036 5/
Per capita consumption (lbs) 1/	126.2	123.6	119.9	113.0	113.7	119.1	112.1	112.9	127.5	104.9	n.a.	n.a.
Non citrus												
Production (thou. tons)	12,384	11,846	12,274	12,460	13,689	15,152.8	12,961	14,217 6/	13,704 7/	13,769 8/	13,435	n.a.
Per capita consumption (lbs) 1/	102.6	99.2	100.3	101.4	105.9	106.2	109.6	103.8	93.6	93.6	n.a.	n.a.

	1985										1986
	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Fob shipping point prices												
Apples ($/carton) 2/	11.00	15.20	16.40	16.50	16.25	15.63	14.13	16.17	14.50	14.30	14.00	13.60
Pears ($/box) 3/	10.25	15.00	15.50	21.30	23.50	n.a.	n.a.	n.a.	14.00	14.00	14.00	14.00
Oranges ($/box) 4/	17.70	16.00	16.70	17.00	16.50	15.90	15.80	13.90	13.70	14.50	15.30	14.10
Grapefruit ($/box) 4/	12.80	11.70	11.70	13.50	14.80	15.10	14.50	14.44	11.30	10.70	11.20	11.20
Stocks, ending												
Fresh apples (mil. lbs.)	1,858.1	1,372.3	910.4	485.1	291.2	132.4	34.4	1,712.2	3,668.3	3,342.5	2,724.7	2,125.2
Fresh pears (mil. lbs.)	89.9	59.2	34.1	10.3	1.5	5.1	92.5	398..7	298.9	222.2	185.2	142.9
Frozen fruits (mil. lbs.)	569.2	512.1	458.5	442.2	527.4	707.0	735.8	760.1	819.9	788.9	720.7	647.4
Frozen orange juice (mil. lbs.)	1,050.6	1,102.7	1,188.6	1,229.5	1,063.7	1,036.1	912.4	883.8	778.8	656.0	684.4	857.9

1/ Per capita consumption of both fresh and processed fruit in fresh weight equivalent. 2/ Red Delicious, Washington, extra fancy, carton tray pack, 80-113's. 3/ D'Anjou, Washington, standard box wrapped, U.S. No. 1, 90-135's. 4/ F.O.B. packed fresh. 5/ As of March 1, 1986. 6/ Excludes canned pineapples and pineapple juice. 7/ Excludes canned pineapple, canned apple, and pineapple juice. 8/ Excludes canned apples, cranberries, pineapples, and canned apple and pineapple juice. n.a. = not available.

Table 21.—Vegetables

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Production										
Total vegetables (1,000 cwt) 1/	369,915	402,936	382,165	413,925	581,370	379,123	431,515	403,320	443,131	391,290
Fresh (1,000 cwt) 1/ 2/	173,800	176,541	182,563	190,859	190,228	194,694	207,924	197,919	215,236	209,722
Processed (tons) 3/	9,808,750	11,319,750	9,980,100	11,153,300	9,557,100	9,221,460	11,179,590	10,270,050	11,394,780	9,078,430
Mushrooms (1,000 lbs)	151,247	191,080	229,558	255,846	275,052	319,132	337,234	388,075	419,913	n.a.
Potatoes (1,000 cwt)	357,666	355,334	366,314	342,447	302,857	338,591	355,131	333,911	362,612	404,131
Sweetpotatoes (1,000 cwt)	13,275	11,885	13,115	13,370	10,953	12,799	14,653	12,083	12,986	14,416
Dry edible beans (1,000 cwt)	9,364	7,880	9,840	10,383	14,658	19,486	12,670	7,781	11,617	11,207

	1985												1986
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Shipments													
Fresh (1,000 cwt) 4/	20,491	16,167	16,568	17,974	32,205	29,244	25,974	16,414	15,002	18,318	14,708	14,021	22,189
Potatoes (1,000 cwt)	12,239	9,792	11,705	12,853	15,225	10,166	8,898	7,474	7,850	10,067	9,646	10,147	12,965
Sweetpotatoes (1,000 cwt)	296	271	311	236	210	135	115	109	332	492	817	504	352

1/ 1985 data are not comparable with 1984 and 1985. 2/ Estimate reinstated for asparagus with the 1984 crop, all other years also include broccoli, carrots, cauliflower, celery, sweet corn, lettuce, honeydews, onions, and tomatoes. 3/ Estimates reinstated for cucumbers with the 1984 crop, all other years also include snap beans, sweet corn, green peas, and tomatoes. 4/ Includes snap beans, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, lettuce, onions, bell peppers, squash, tomatoes, cantaloupes, honeydews, and watermelons. n.a. = not available.

Table 22.—Other commodities

	Annual				1985			
	1983	1984	1985	1986 F	Jan–Mar	Apr–June	July–Sept	Oct–Dec
Sugar								
Production 1/	5,682	5,888	5,969	5,961	1,586	727	683	2,992
Deliveries 1/	8,812	8,454	8,035	8,100	1,910	1,972	2,150	2,003
Stocks, ending 1/	2,570	3,005	3,126	2,475	3,417	2,686	1,745	3,126
Coffee								
Composite green price N.Y. (cts./lb.)	131.51	142.95	137.46	200.00	137.26	134.45	124.60	153.53
Imports, green bean equiv. (million lbs.) 2/	2,259	2,411	2,550	2,400	673	606	659	612

	Annual			1985				1986
	1983	1984	1985	Sept	Oct	Nov	Dec	Jan
Tobacco								
Prices at auctions 3/								
Flue-cured (cts./lb.)	1.78	1.81	1.72	1.79	1.80	1.66	—	—
Burley (cts./lb.)	1.77	1.88	—	—	—	—	1.60	1.60
Domestic consumption 4/								
Cigarettes (bil.)	600.0	600.4	592.0	36.0	70.6	49.9	48.0	—
Large cigars (mil.)	360.5	349.1	318.5	300.5	292.8	273.9	238.1	—

1/ 1,000 short tons, raw value. Quarterly data shown at end of each quarter. Excludes Hawaii. 2/ Green and processed coffee. 3/ Crop year July-June for flue-cured, October-September for burley. 4/ Taxable removals.

Table 23.—World supply and utilization of major crops, livestock and products

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 E	1985/86 P
				Mil. units			
Wheat							
Area (hectare)	227.6	236.9	238.7	237.5	229.1	231.2	229.2
Production (metric ton)	422.8	442.9	448.4	479.1	490.9	514.6	503.2
Exports (metric ton) 1/	86.0	94.1	101.3	98.6	102.0	106.4	89.0
Consumption (metric ton) 2/	443.5	445.7	441.5	467.9	486.3	499.6	490.4
Ending stocks (metric ton) 3/	80.4	78.2	85.0	96.3	101.0	116.0	128.9
Coarse grains							
Area (hectare)	341.1	342.4	350.2	339.2	334.3	338.7	343.1
Production (metric ton)	741.5	732.9	769.9	779.2	685.4	808.2	842.7
Exports (metric ton) 1/	98.8	108.0	96.6	89.9	92.0	101.5	92.3
Consumption (metric ton) 2/	740.3	743.0	739.8	753.5	757.2	778.4	779.6
Ending stocks (metric ton) 3/	91.6	82.8	112.9	138.6	66.8	96.6	159.6
Rice, milled							
Area (hectare)	143.1	144.4	145.1	141.2	144.3	143.9	143.0
Production (metric ton)	253.9	271.0	280.6	285.7	308.0	318.6	315.0
Exports (metric ton) 4/	12.7	13.1	11.8	11.9	12.6	11.4	11.7
Consumption (metric ton) 2/	257.8	272.3	281.5	289.6	308.1	314.0	313.3
Ending stocks (metric ton) 3/	23.4	22.1	21.3	17.3	17.3	22.0	23.7
Total grains							
Area (hectare)	711.8	723.8	733.9	717.8	707.7	713.8	715.3
Production (metric ton)	1,418.2	1,446.8	1,498.9	1,544.1	1,484.3	1,641.4	1,660.9
Exports (metric ton) 1/	197.5	215.2	209.7	200.5	206.6	219.3	193.0
Consumption (metric ton) 2/	1,441.9	1,461.0	1,462.8	1,511.0	1,551.6	1,592.0	1,583.3
Ending stocks (metric ton) 3/	195.4	183.2	219.2	252.2	185.1	234.6	312.2
Oilseeds							
Crush ending stocks							
Production (metric ton)	170.1	155.8	169.4	178.0	164.9	189.1	194.4
Exports (metric ton)	35.9	32.1	35.8	35.0	33.0	32.5	33.5
Meals							
Production (metric ton)	92.9	90.8	94.1	98.0	92.9	101.2	103.5
Exports (metric ton)	26.5	25.9	28.8	31.6	29.7	32.1	32.1
Oils							
Production (metric ton)	39.7	40.0	41.5	43.4	42.2	46.4	48.1
Exports (metric ton)	12.8	12.5	13.3	14.2	14.3	15.9	16.4
Cotton							
Area (hectare)	32.2	32.4	33.2	31.9	31.3	34.3	32.5
Production (bale)	65.2	64.8	70.8	67.5	67.6	87.4	81.9
Exports (bale)	23.1	19.7	20.2	19.4	19.2	20.3	19.0
Consumption (bale)	65.3	65.9	65.5	68.0	69.0	69.4	72.7
Ending stocks (bale)	24.0	24.1	25.4	25.0	24.6	42.6	51.7

E = Estimated. P = Projected. 1/ Excludes intra-EC trade. 2/ Where stocks data not available (excluding USSR), consumption includes stock changes. 3/ Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries; includes estimated change in USSR grain stocks but not absolute level. 4/ Calendar year data. 1980 data correspond with 1979/80, etc.

Table 24.—Prices of principal U.S. agricultural trade products

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Export commodities										
Wheat, f.o.b. vessel, Gulf ports ($/bu.)	4.30	4.17	3.73	4.06	3.39	3.47	3.51	3.67	3.77	3.63
Corn, f.o.b. vessel, Gulf ports ($/bu.)	3.49	3.50	2.89	3.08	2.68	2.62	2.53	2.77	2.81	2.75
Grain sorghum, f.o.b. vessel, Gulf ports ($/bu.)	3.34	3.00	2.64	2.93	2.36	2.12	2.20	2.46	2.56	2.51
Soybeans, f.o.b. vessel, Gulf ports ($/bu.)	7.31	7.38	5.83	6.30	5.51	5.44	5.05	5.40	5.56	5.72
Soybean oil, Decatur (cts./lb.)	23.51	30.75	27.03	27.58	23.63	22.41	20.61	20.33	21.26	20.27
Soybean meal, Decatur ($/ton)	200.91	166.80	127.15	136.13	121.97	130.93	139.67	141.88	145.95	152.55
Cotton, 10 market avg. spot (cts./lb.)	68.68	68.37	58.55	59.96	57.87	56.38	56.14	56.03	56.25	58.39
Tobacco, avg. price of auction (cts./lb.)	173.96	170.66	174.35	181.01	165.14	175.84	175.49	172.39	163.65	163.65
Rice, f.o.b. mill, Houston ($/cwt.)	19.39	19.47	18.57	18.75	18.63	18.25	18.25	18.25	18.25	17.88
Inedible tallow, Chicago (cts./lb.)	13.41	17.47	14.33	17.50	12.06	11.40	11.50	11.31	11.38	12.00
Import commodities										
Coffee, N.Y. spot ($/lb.)	1.33	1.46	1.42	1.40	1.33	1.33	1.37	1.55	1.75	2.41
Sugar, N.Y. spot (cts./lb.)	22.04	21.74	20.81	20.72	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rubber, N.Y. spot (cts./lb.)	56.19	49.70	41.91	42.04	42.47	43.24	42.92	42.14	40.28	40.74
Cocoa beans, N.Y. ($/lb.)	.92	1.06	.99	.98	.98	1.01	1.03	.98	1.02	1.01
Bananas, ($/40 lb. box)	7.93	6.70	7.05	6.83	7.65	6.56	5.05	5.43	n.a.	n.a.

n.a. = not available.

Table 25.—U.S. agricultural exports and imports

	October–January				January			
	1984/85	1985/86	1984/85	1985/86	1984/85	1985/86	1984/85	1985/86
	Thou. units		$ Thou.		Thou. units		$ Thou.	
Exports								
Animals, live (no.)	278	203	90,800	173,744	77	45	20,070	20,418
Meats & preps., excl. poultry (mt)	141	149	308,352	319,506	33	38	73,788	85,796
Dairy products (mt)	111	172	109,385	141,738	24	44	23,070	37,277
Poultry meats (mt)	85	81	99,854	89,108	21	19	23,744	20,892
Fats, oils, & greases (mt)	431	497	229,110	197,993	142	80	74,452	32,205
Hides & skins incl. furskins	—	—	459,999	429,543	—	—	146,884	145,848
Cattle hides, whole (no.)	8,468	7,973	352,788	334,180	2,308	2,312	92,989	101,426
Mink pelts (no.)	531	636	14,591	14,906	369	341	10,231	8,596
Grains & feeds (mt)	40,325	31,100	5,717,602	3,925,003	9,849	7,561	1,369,007	980,892
Wheat (mt)	12,872	8,152	1,960,755	1,126,321	2,897	1,896	444,170	267,299
Wheat flour (mt)	103	331	23,993	50,942	8	79	2,015	13,861
Rice (mt)	617	602	220,427	219,675	140	131	38,610	49,591
Feed grains, excl.products (mt)	24,227	19,084	3,037,879	2,021,227	6,144	4,632	761,115	513,076
Feeds & fodders (mt)	2,192	2,544	353,904	384,488	559	740	88,648	110,071
Other grain products (mt)	315	387	120,643	122,350	101	84	34,450	26,994
Fruits, nuts, and preps. (mt)	720	689	625,335	624,102	186	173	135,287	140,349
Fruit juices incl. froz. (hl)	1,379	1,193	62,177	49,367	374	334	15,382	13,172
Vegetables & preps. (mt)	552	517	351,440	344,708	113	133	75,428	84,857
Tobacco, unmanufactured (mt)	127	113	762,024	660,134	16	10	96,970	62,340
Cotton, excl. linters (mt)	503	182	808,890	279,584	182	41	282,739	65,229
Seeds (mt)	119	103	144,268	166,222	31	39	47,646	57,650
Sugar, cane or beet (mt)	102	122	22,748	21,762	25	55	5,852	9,561
Oilseeds & products (mt)	10,915	11,191	2,865,670	2,502,399	2,585	2,985	642,856	680,881
Oilseeds (mt)	8,606	8,725	2,114,294	1,848,301	2,015	2,332	480,869	502,730
Soybeans (mt)	7,879	8,541	1,870,804	1,769,608	1,913	2,306	445,403	488,079
Protein meal (mt)	1,782	2,087	349,051	402,109	478	540	90,784	108,706
Vegetable oils (mt)	526	380	402,326	251,989	92	114	71,203	69,445
Essential oils (mt)	4	2	31,674	33,120	1	1	8,803	8,532
Other	115	151	103,295	93,359	52	46	29,552	28,984
Total	—	—	13,061,215	10,307,525	—	—	3,128,307	2,535,843

	October–January				January			
	1984/85	1985/86	1984/85	1985/86	1985	1986	1985	1986
	Thou. units		$ Thou.		Thou. units		$ Thou.	
Imports								
Animals, live (no.)	783	816	229,351	289,638	268	251	68,763	89,708
Meats & preps., excl. poultry (mt)	341	372	698,504	743,453	88	102	180,629	213,616
Beef & veal (mt)	205	222	403,353	409,390	49	62	97,083	121,472
Pork (mt)	126	135	271,765	293,809	36	36	77,272	84,599
Dairy products (mt)	162	163	282,283	299,114	35	41	55,992	71,541
Poultry and products	—	—	27,568	33,533	—	—	6,013	6,479
Fats, oils, & greases (mt)	6	6	6,071	4,469	2	2	2,525	1,225
Hides & skins, incl. furskins	—	—	68,394	58,790	—	—	28,664	13,195
Wool, unmanufactured (mt)	16	17	55,497	54,533	5	6	19,568	18,771
Grains & feeds (mt)	707	706	208,080	234,997	171	179	48,297	55,889
Fruits, nuts, & preps., ex juices (mt)	1,213	1,399	497,539	602,405	376	443	145,333	183,113
Bananas & plantains (mt)	923	1,018	230,982	247,285	283	313	70,731	76,158
Fruit juices (hl)	12,094	9,711	353,221	246,011	2,932	2,384	87,613	58,854
Vegetables & preps. (mt)	626	667	383,783	452,424	203	231	130,498	161,304
Tobacco, unmanufactured (mt)	60	66	176,377	199,001	15	15	44,378	46,393
Cotton, unmanufactured (mt)	11	15	5,228	9,676	2	6	1,041	1,729
Seeds (mt)	23	29	29,625	40,332	10	11	8,876	12,732
Nursery stock & cut flowers	—	—	100,605	117,072	—	—	18,549	27,946
Sugar, cane or beet (mt)	895	687	366,870	245,834	226	159	82,119	61,054
Oilseeds & products (mt)	390	504	282,969	240,655	110	137	75,234	61,251
Oilseeds (mt)	70	54	30,747	21,336	13	10	6,166	3,941
Protein meal (mt)	51	47	5,876	4,652	14	13	1,464	1,408
Vegetable oils (mt)	270	403	246,347	214,668	83	114	67,604	55,902
Beverages excl. fruit juices (hl)	4,877	5,028	547,410	631,866	1,256	1,137	131,524	134,585
Coffee, tea, cocoa, spices (mt)	601	673	1,610,038	1,879,415	194	219	509,665	651,929
Coffee, incl. products (mt)	347	421	1,012,278	1,269,366	102	145	296,655	475,195
Cocoa beans & products (mt)	180	187	430,558	460,190	74	55	171,753	135,647
Rubber & allied gums (mt)	264	275	243,137	199,251	73	65	65,928	47,570
Other	—	—	279,239	305,681	—	—	78,464	78,391
Total	—	—	6,451,789	6,888,150	—	—	1,789,673	1,997,275

Table 26.—Trade balance

	October–January		January	
	1984/85	1985/86	1985	1986
		$ Mil.		
Exports				
Agricultural	13,061	10,308	3,128	2,536
Nonagricultural	59,402	57,021	14,995	13,965
Total 1/	72,463	67,329	18,123	16,501
Imports				
Agricultural	6,452	6,888	1,790	1,997
Nonagricultural	100,685	113,683	26,684	29,820
Total 2/	107,137	120,571	28,474	31,817
Trade balance				
Agricultural	6,609	3,420	1,338	539
Nonagricultural	-41,283	-56,662	-11,689	-15,855
Total	-34,674	-53,242	-10,351	-15,316

1/ Domestic exports including Department of Defense shipments (F.A.S. value). 2/ Imports for consumption (customs value).

Table 27.—Indexes of nominal and real trade-weighted dollar exchange rates

	1985										1986	
	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
						April 1980=100						
Total U.S. trade												
Nominal	163	156	156	155	149	146	148	140	137	136	134	130
Real	164	157	157	156	150	148	149	141	138	136	135	131
						April 1971=100						
Agricultural trade												
Nominal 1/	1,526	1,707	1,861	2,042	2,217	2,392	2,583	2,830	3,083	3,183	3,544	3,884
Real 2/	108	105	105	106	103	102	103*	99*	99*	91*	90*	88*
Soybeans												
Nominal 1/	195	188	190	197	203	201	210	210	229	114	112	107
Real 2/	107	102	102	102	99	97	98*	92*	91*	84*	82*	79*
Wheat												
Nominal 1/	7,988	9,093	9,996	11,012	11,996	13,008	14,116	15,607	17,029	18,368	20,580	23,117
Real 2/	109	109	110	112	111	110	111*	109*	109*	104*	104*	103*
Corn												
Nominal 1/	1,438	1,599	1,740	1,905	2,067	2,227	2,403	2,627	2,865	2,903	3,227	3,522
Real 2/	109	104	105	105	102	100	101*	97*	96*	86*	85*	81*
Cotton												
Nominal 1/	213	211	213	213	213	213	215	213	215	216	216	214
Real 2/	102	101	102	101	100	100	100*	98*	97*	97*	97*	95*

1/ Nominal values are percentage changes in currency units per dollar, weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated. 2/ Real values are computed in the same way as the nominal series, adjusted for CPI changes in the countries involved.

*Preliminary; assumes the same rate of CPI increase/decrease as the previous six months.

Table 28.—U.S. agricultural exports by regions

Region & country	October–January		January		Change from year earlier	
	1984/85	1985/86	1984/85	1985/86	October–Jan	Jan
	$ Mil.				Percent	
Western Europe	3,176	3,002	731	804	-5	10
European Community	2,352	2,291	526	596	-3	13
Belgium-Luxembourg	241	166	43	51	-31	19
France	177	193	35	44	9	25
Germany, Fed. Rep.	372	441	91	116	18	26
Italy	306	292	101	94	-5	-7
Netherlands	854	843	157	203	-1	29
United Kingdom	282	257	64	64	-9	0
Other Western Europe	824	711	205	207	-14	1
Portugal	217	137	49	32	-37	-34
Spain	383	413	112	136	8	22
Switzerland	104	45	22	11	-57	-52
Eastern Europe	268	205	70	60	-23	-14
Germany Dem. Rep.	59	34	15	6	-41	-60
Poland	54	16	6	2	-71	-70
USSR	1,354	558	300	106	-59	-65
Asia	4,973	3,961	1,218	948	-20	-22
West Asia (Mideast)	675	469	155	132	-30	-15
Turkey	103	32	26	21	-69	-18
Iraq	182	142	35	40	-22	14
Israel	114	100	30	39	-12	30
Saudia Arabia	155	109	36	20	-29	-43
South Asia	247	163	56	41	-34	-26
India	64	33	7	5	-49	-19
Pakistan	41	98	7	25	138	277
East & Southeast Asia	4,050	3,328	1,008	775	-18	-23
China	153	45	36	9	-71	-75
Taiwan	572	434	117	91	-24	-23
Japan	2,416	2,040	600	478	-16	-20
Korea, Rep.	462	447	140	112	-3	-20
Hong Kong	149	139	37	34	-6	-6
Indonesia	80	45	13	12	-44	-7
Philippines	86	86	20	12	-1	-40
Africa	883	784	235	175	-11	-25
North Africa	465	522	117	128	12	9
Morocco	74	49	6	39	-33	507
Algeria	94	99	27	25	6	-7
Egypt	259	370	77	64	43	-17
Sub-Sahara	418	261	117	48	-37	-60
Nigeria	146	61	40	8	-58	-79
Rep. S. Africa	123	20	28	4	-84	-84
Latin America & Caribbean	1,709	1,245	396	279	-27	-30
Brazil	294	175	86	54	-40	-37
Caribbean Islands	256	241	62	55	-6	-11
Colombia	82	56	15	9	-32	-39
Mexico	587	412	160	111	-30	-30
Peru	59	30	6	7	-49	25
Venezuela	239	142	28	14	-41	-50
Canada	600	491	150	146	-18	-2
Oceania	99	61	28	18	-38	-37
Total	13,061	10,308	3,128	2,536	-21	-19

Table 29.—Farm income statistics

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 F	1986 F
						$ Bil.					
Receipts											
Cash receipts:											
Crops 1/	49.0	48.6	53.0	62.3	71.8	72.9	72.7	66.8	69.1	70 to 72	60 to 64
Livestock	46.3	47.6	59.2	69.2	68.0	69.2	70.3	69.4	72.7	69 to 71	68 to 72
Total	95.4	96.2	112.2	131.5	139.8	142.1	142.9	136.3	141.8	140 to 142	130 to 134
Other cash income 2/	1.8	3.0	4.9	3.6	3.5	4.4	6.1	11.8	11.4	8 to 12	11 to 15
Gross cash income	97.2	99.3	117.1	135.1	143.3	146.5	149.0	148.1	153.3	151 to 154	145 to 149
Nonmoney income 3/	7.3	8.4	9.2	10.5	12.2	13.7	14.0	13.1	12.9	11 to 13	10 to 12
Realized gross income	104.4	107.6	126.3	145.6	155.5	160.2	163.0	161.2	166.1	158 to 163	156 to 160
Value of inventory chg	-1.5	1.1	2.1	5.0	-5.9	5.8	-1.4	-10.6	7.8	-1 to 3	-6 to -2
Total gross income	102.9	108.8	128.4	150.7	149.6	166.0	161.6	150.6	174.0	163 to 166	152 to 156
Expenses											
Cash expenses 4/	67.8	72.0	82.6	98.1	106.1	110.7	110.7	109.8	114.1	109 to 111	106 to 110
Total expenses	82.7	88.9	101.0	119.0	129.4	136.1	136.9	135.6	139.5	133 to 135	129 to 133
Income											
Net cash income	29.4	27.3	34.6	37.0	37.2	35.8	38.3	38.3	39.2	41 to 44	37 to 41
Total net farm income	20.2	19.9	27.4	31.7	20.2	29.8	24.6	15.0	34.5	29 to 32	21 to 25
Deflated total net farm income 5/	32.1	29.6	38.0	40.3	23.6	31.7	24.6	14.4	31.9	26 to 29	18 to 21
Off-farm income	26.7	26.1	29.7	33.8	35.1	36.9	37.9	38.8	40.0	40 to 42	40 to 44

F = Forecast. 1/ Includes net CCC loans. 2/ Income from machine hire and custom work, farm recreational income, and direct government payments. The 1978–1986 figures include sales of forest products and other misc. sources. 3/ Imputed gross rental value of farm dwellings and value of home consumption. 4/ Excludes depreciation of farm capital, perquisites to hired labor, and expenses associated with farm dwellings, and includes net rent to all landlords. 5/ Deflated by the GNP implicit price deflator, 1982=100. Totals may not add due to rounding.

Table 30.—Cash receipts from farming

	1984	1985											
	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Farm marketings and CCC loans 1/	13,453	12,879	9,714	10,415	9,605	9,191	9,856	10,831	10,251	12,169	16,089	16,940	15,592
Livestock and products	5,898	6,128	5,743	6,011	5,699	5,825	5,652	5,813	5,451	5,716	5,967	6,048	5,569
Meat animals	3,333	3,684	3,408	3,419	3,228	3,315	3,151	2,806	2,963	3,196	3,413	3,390	3,168
Dairy products	1,546	1,541	1,447	1,607	1,539	1,585	1,497	1,489	1,482	1,422	1,480	1,425	1,402
Poultry and eggs	909	799	795	879	825	813	897	868	905	992	971	1,117	894
Other	111	104	92	105	107	112	108	651	101	106	103	117	105
Crops	7,554	6,751	3,971	4,404	3,906	3,366	4,204	5,018	4,800	6,452	10,122	10,891	10,024
Food grains	538	634	433	359	295	310	1,130	1,824	1,250	1,221	1,321	691	610
Feed crops	2,119	2,348	1,061	1,186	877	706	865	1,042	1,089	1,372	2,793	4,127	4,193
Cotton (lint and seed)	864	624	463	197	91	-41	77	17	75	226	779	895	822
Tobacco	414	431	54	28	25	4	0	70	390	586	432	168	482
Oil-bearing crops	1,370	1,299	654	914	663	465	564	533	404	810	2,504	2,447	1,841
Vegetables and melons	608	649	555	773	861	932	676	484	735	882	826	452	443
Fruits and tree nuts	736	248	238	255	234	341	498	649	461	681	767	952	721
Other	905	518	513	690	861	649	394	399	396	673	700	1,160	911
Government payments	1,940	802	1,452	806	2,481	207	193	207	30	262	101	-3	932
Total	15,393	13,681	11,166	11,221	12,086	9,398	10,049	11,038	10,281	12,431	16,190	16,937	16,524

1/ Receipts from loans represent value of commodities placed under CCC loans minus value of redemptions during the month.

Table 31.—Cash receipts from farm marketings, by States[1]

State	Livestock and products		Crops 2/		Total 2/	
	Jan.-Dec. 1984	Jan.-Dec. 1985	Jan.-Dec. 1984	Jan.-Dec. 1985	Jan.-Dec. 1984	Jan.-Dec. 1985
			$Mil.			
North Atlantic						
Maine	289	264	167	126	456	390
New Hampshire	76	76	33	35	109	111
Vermont	369	371	31	31	400	402
Massachusetts	132	132	251	260	383	392
Rhode Island	14	14	48	48	62	61
Connecticut	221	199	139	151	359	350
New York	1,911	1,838	794	704	2,705	2,543
New Jersey	135	135	371	376	505	511
Pennsylvania	2,242	2,140	923	923	3,166	3,063
North Central						
Ohio	1,612	1,472	1,999	2,282	3,611	3,753
Indiana	1,774	1,603	2,150	2,921	3,924	4,523
Illinois	2,182	2,176	4,556	5,379	6,738	7,555
Michigan	1,298	1,237	1,479	1,730	2,777	2,967
Wisconsin	4,073	3,982	1,063	1,070	5,136	5,052
Minnesota	3,338	3,282	2,904	3,769	6,242	7,051
Iowa	5,013	4,591	4,300	5,018	9,312	9,610
Missouri	2,166	2,057	1,562	1,642	3,729	3,699
North Dakota	690	698	1,854	2,103	2,544	2,801
South Dakota	1,803	1,782	1,086	1,187	2,889	2,969
Nebraska	4,523	4,573	2,559	3,345	7,082	7,918
Kansas	3,620	3,557	2,328	2,593	5,947	6,150
Southern						
Delaware	383	349	137	137	520	486
Maryland	811	770	343	374	1,154	1,144
Virginia	1,121	1,101	673	648	1,794	1,749
West Virginia	182	181	44	50	226	230
North Carolina	1,927	1,797	2,198	1,981	4,125	3,778
South Carolina	428	388	708	619	1,136	1,007
Georgia	1,849	1,611	1,739	1,480	3,587	3,091
Florida	1,091	1,039	3,496	3,364	4,587	4,403
Kentucky	1,412	1,415	1,240	1,254	2,652	2,669
Tennessee	1,003	1,015	981	1,038	1,985	2,053
Alabama	1,387	1,260	802	733	2,189	1,993
Mississippi	1,045	1,011	1,123	1,255	2,168	2,266
Arkansas	1,874	1,745	1,462	1,706	3,336	3,451
Louisiana	478	476	1,050	1,182	1,527	1,658
Oklahoma	1,776	1,865	787	939	2,562	2,804
Texas	5,901	5,438	3,782	3,977	9,683	9,415
Western						
Montana	772	780	647	586	1,419	1,366
Idaho	903	886	1,386	1,189	2,288	2,074
Wyoming	466	446	107	121	574	567
Colorado	2,204	1,998	1,148	1,159	3,352	3,157
New Mexico	657	696	332	384	989	1,080
Arizona	753	661	768	798	1,521	1,459
Utah	444	426	136	134	580	560
Nevada	172	174	80	84	252	258
Washington	1,030	979	1,903	1,901	2,933	2,880
Oregon	626	621	1,166	1,048	1,792	1,669
California	4,471	4,223	9,714	9,648	14,185	13,871
Alaska	7	7	18	15	25	22
Hawaii	87	87	530	412	617	499
United States	72,739	69,623	69,096	73,909	141,835	143,532

1/ Estimates as of the end of current month. 2/ Sales of farm products include receipts from commodities placed under CCC loans minus value of redemptions during the period. Rounded data may not add.

Transportation

Table 32.—Rail rates; grain and fruit-vegetable shipments

	Annual			1985						1986
	1983	1984	1985	Jan	Aug	Sept	Oct	Nov	Dec	Jan
Rail freight rate index 1/ (Dec 1984 = 100)										
All products	95.0	99.3	99.9	100.1	99.8	100.0	99.8 p	99.8 p	99.8 p	100.9 p
Farm products	94.0	98.7	98.7	100.0	97.6	98.9	97.6 p	97.6 p	97.6 p	99.6 p
Grain	94.0	98.6	97.9	100.0	96.3	98.0	96.3 p	96.3 p	96.3 p	98.9 p
Food products	94.8	99.1	100.1	100.0	100.1	100.1	100.1 p	100.1 p	100.1 p	101.1 p
Grain										
Rail carloadings (thou. cars) 2/	26.1	27.2	22.5	24.4	19.6	18.8	23.8	29.5	23.4	25.0
Barge shipments (mil. bu.) 3/	40.8	37.2	31.8	32.9	24.1	34.0	39.9	47.8	26.3	31.1
Fresh fruit & vegetable shipments										
Piggy back (thou. cwt.) 3/ 4/	502	570	596	631	479	590	485	452	506	590
Rail (thou. cwt.) 3/ 4/	786	640	508	690	216	288	362	461	590	579
Truck (thou. cwt.) 3/ 4/	7,923	8,006	8,079	7,345	7,882	7,252	7,237	7,706	7,858	7,665

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985 and 1986. p = preliminary.

Indicators of Farm Productivity

Table 33.—Indexes of farm production, input use and productivity[1]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 2/
						1977=100				
Farm output	97	100	104	111	103	118	116	95	111	117
All livestock products 3/	99	100	101	104	108	109	107	109	107	110
Meat animals	100	100	100	103	107	106	101	103	101	101
Dairy products	98	100	99	101	105	108	110	114	110	116
Poultry & eggs	98	100	106	114	115	119	119	120	123	127
All crops 4/	92	100	102	113	101	116	118	88	110	116
Feed grains	96	100	108	116	97	121	124	67	115	133
Hay & forage	94	100	106	108	98	106	110	101	107	106
Food grains	107	100	93	108	121	144	140	117	129	121
Sugar crops	112	100	101	94	97	107	96	96	95	97
Cotton	74	100	76	102	79	109	85	54	90	94
Tobacco	112	100	106	80	93	108	104	74	90	81
Oil crops	74	100	105	129	99	114	124	89	106	117
Cropland used for crops	98	100	97	100	101	102	101	88	99	99
Crop production per acre	94	100	105	113	100	114	117	100	111	117
Farm input 5/	99	100	102	105	103	102	99	95	96	n.a.
Farm real estate	98	100	100	103	103	103	103	101	99	n.a.
Mechanical power & machinery	98	100	104	104	101	98	94	89	88	n.a.
Agricultural chemicals	96	100	107	123	123	129	118	105	120	n.a.
Feed, seed & livestock purchases	101	100	108	115	114	108	106	106	106	n.a.
Farm output per unit of input	98	100	102	105	101	116	117	100	116	n.a.
Output per hour of labor 6/										
Farm	99	100	97	106	109	132	140	106	123	135
Nonfarm	99	100	101	99	99	100	99	103	104	104

1/ For historical data and indexes, see Changes in Farm Production and Efficiency USDA Statistical Bulletin 657. 2/ Preliminary indexes for 1985 based on February 1986 Crop Production report and other releases of the Crop Reporting Board, SRS. 3/ Gross livestock production includes minor livestock products not included in the separate groups shown. It cannot be added to gross crop production to compute farm output. 4/ Gross crop production includes some miscellaneous crops not in the separate groups shown. It cannot be added to gross livestock production to compute farm output. 5/ Includes other items not included in the separate groups shown. 6/ Bureau of Labor Statistics. n.a. = not available.

Table 34.—Per Capita Consumption of Major Food Commodities (retail weight)
See the October 1985 Issue.

Table 35.—Per Capita Food Consumption Indexes (1967 = 100)
See the November 1985 Issue.

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Readings On

Soil Conservation and Farmland

Assessing Erosion on U.S. Cropland: Land Management and Physical Features, by Nelson L. Bills and Ralph E. Heimlich. AER-513. July 1984. 24 pp. $1.50. Order SN: 001-019-00341-3 from GPO.

Erosion from rainfall causes nearly 100 million acres of U.S. cropland to erode by more than 5 tons per acre per year. One-third of this land is so highly erosive that annual soil loss can be reduced to tolerable levels only under the most restrictive land management practices. More than one-third of U.S. cropland is inherently nonerosive under all management regimes, about half requires conservation management to keep soil loss within tolerable limits, and the remaining 8 percent is so erosive that acceptable soil loss rates cannot be achieved under intensive cultivation.

Do USDA Farm Program Participants Contribute to Soil Erosion? by Katherine H. Reichelderfer. AER-532. April 1985. 84 pp. $3.00. Order SN: 001-019-00383-9 from GPO.

Finds that only about one-third of U.S. cropland with excessive soil erosion rates is operated by farmers who might be influenced to reduce erosion if changes were made in USDA's commodity and soil conservation programs. Present commodity programs may conflict with conservation programs by encouraging cultivation of erosive crops. Efforts to increase the consistency of USDA commodity and conservation programs would contribute little to overcoming the Nation's total erosion problem.

Cropland Rental and Soil Conservation in the United States, by Nelson L. Bills. AER-529. March 1985. 20 pp. $1.50. Order SN: 001-019-00387-1 from GPO.

Data from USDA's Resource Economics Survey challenge the common but not well-substantiated view that farmers are less concerned with erosion on land they rent than on land they own. At the national level, farmers' conservation efforts on rented cropland compare favorably with those on owner-operated cropland.

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Agriculture's Links With U.S. and World Economies, by Alden C. Manchester. AIB-496. September 1985. 60 pp. $1.50. Order SN: 001-019-00409-6 from GPO.

Describes the linkages between farming and the supplying industries and those manufacturing and distributing farm products. Within the last 30 years, the food and fiber system has found itself increasingly reliant on nonfarm industries and increasingly affected by general economic developments, not only within the Nation but from overseas as well.

Improving U.S. Farmland, by Douglas Lewis and Thomas A. McDonald. AIB-482. November 1984. 12 pp. $1.00. Order SN: 001-019-00362-6 from GPO.

A clear, concise account of recent farmland improvements. Farmers invested more than $6.5 billion in improving their land in a recent 3-year period. Those investments, while often made on existing cropland, expanded total U.S. cropland by 9.1 million acres.

Major Uses of Land in the United States: 1982, by H. Thomas Frey and Roger W. Hexem. AER-535. June 1985. 36 pp. $1.25. Order SN: 001-019-00398-7 from GPO.

Discusses the major uses of the Nation's 2,265 million acres of land in 1982: cropland, 469 million acres; grassland pasture and range, 597 million acres; forest land (exclusive of areas in special-purpose uses), 655 million acres, special uses, 270 million acres; and miscellaneous other land, 274 million acres. Changes in cropland and pasture acreages were barely perceptible during 1978-82; forest land (except special use areas) and miscellaneous other land decreased sharply as large acreages in these categories were reclassified as parks, wilderness, and related uses.

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